Japanese jobs
Women bear the brunt of recession
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Roman revolution
Privatisation Italian-style
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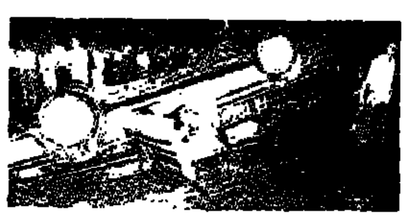

Bulls in China shock
Why Shenzhen has gone wild over shares
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NEWSPAPER of THE YEAR

FINANCIAL TIMES

Wednesday August 12 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

US group buys stake in Polish paper company

International Paper, US forest products group, announced its first venture in eastern Europe with the acquisition of an 80 per cent stake in Poland's second-biggest paper manufacturer.

International Paper will pay $120m for its stake in Kwidzyn Pulp and Paper Company and will invest a further $175m over the next four years as part of a programme to modernise and expand the company and improve product quality and environmental controls. Page 14

Share promise: Angry investors were promised by officials in the southern Chinese city of Shenzhen that they would get another chance to enter a lottery for new share issues after rioting broke out on Monday night over alleged corruption in allocating application forms. Page 14; Impasse or impetus on the road to reform, Page 13; Tokyo's private investors shun lure of shares, Page 14

Boipatong tapes erased: Thirteen hours of tape recording of police radio calls during the afternoon and night of the June 17 Boipatong massacre were accidentally erased, a senior police officer told a judicial commission. Page 3

Polly Peck hope: A mainly Mexican investor group has agreed to pay $490m for PPI Del Monte Fresh Produce, the fresh fruit side of Polly Peck International, the fruit and electronics conglomerate which collapsed in 1990. The deal represents the last hope of securing a large amount of cash to pay the group's 23,000 creditors. Page 15

Dame Kiri boosts record company profits

PolyGram, one of the world's top three music companies, announced a 16.3 per cent increase in interim profits, helped by an improvement in north America and strong sales from recording artists such as Dame Kiri te Kanawa (left) and Elton John. Alain Levy, chief executive, said the results were pleasing, especially as European markets were affected by recession. Page 15

Anti-Iraq charges: The United Nations Security Council scheduled a special session last night to hear charges of massive violations of human rights by Iraqi forces against the country's Shia population in the southern marshlands. Page 3; Kuwait deterrent force likely, Page 3

UK trade alert: The Confederation of British Industry warned of damage to UK trade links with the US if Washington adopted laws aiming to raise more taxes from foreign companies operating in the US. Page 4

US profits: In the US retail sector J.C. Penney, the large department store group, and The Limited, speciality retailer, both reported second-quarter after-tax profits of about $80m. However Penney said sales of autumn goods were "particularly encouraging", while The Limited called its results "disappointing". Page 17

Degussa, German metals, chemicals and pharmaceuticals company, reported pre-tax profits up 15 per cent to DM164m ($112m) in the nine months to June and said it expected the benefits of a restructuring and cost-cutting plan to show through in the final quarter. Page 16

China crash: At least 16 people were killed when a helicopter carrying Japanese tourists in China crashed on the outskirts of Beijing.

Fokker, Dutch aircraft maker in which Deutsche Aerospace of Germany is to take a 51 per cent stake later this year, blamed higher interest charges for a 37.5 per cent decline in first-half profits and for an expected fall of more than 50 per cent in full-year results. Page 15

Speaker accused: A lawsuit has been filed against Henri Emmanuelli, speaker of the French National Assembly, for alleged misuse of public funds in his capacity as a local politician, judicial sources said.

Space launch: China will try again on Friday to launch an Australian satellite, five months after a fire halted the last attempt and threatened to undermine its efforts to offer such commercial services. Page 4

Contract awarded: A Mexican consortium headed by Grupo ICA has won a contract to build a 340km toll road from Mexico City to Guadalajara, at a cost of $1.2bn in what is the biggest such contract ever awarded in the country. Page 4

STOCK MARKET INDICES

FT-SE 100	2,309.6	(−16.1)
Yield	5.18	
FT-SE Eurotrack 100	1,044.92	(−4.76)
FT-A All-Share	1,099.67	(−0.7%)
Nikkei	14,822.56	(−243.78)
New York lunchtime		
Dow Jones Ind Ave	3,325.97	(−11.61)
S&P Composite	417.88	(−1.54)

US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.188%
Long Bond	107$\frac{11}{16}$
Yield	7.35%

LONDON MONEY

3-mo interbank	10¼%	(10¼%)
Liffe long gilt future	Sep 97$\frac{1}{32}$	(Sep 97⅛)

NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$19.6	(19.675)

Gold

New York Comex (Aug)	$347.3	(350.4)
London	$348.65	(350.5)

STERLING

New York lunchtime:		
$	1.9245	
London:		
$	1.9215	(1.927)
DM	2.8275	(2.8275)
FFr	9.57	(9.5675)
SFr	2.545	(2.5375)
Y	248.0	(246.75)
£ Index	92.1	(92.1)

DOLLAR

New York lunchtime		
DM	1.4685	
FFr	4.975	
SFr	1.3225	
Y	128.025	
London		
DM	1.4715	(1.467)
FFr	4.98	(4.965)
SFr	1.3245	(1.317)
Y	128.65	(128.05)
$ Index	60.4	(60.3)

Tokyo close Y 127.91

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18.000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Bush backs $10bn loan guarantees for Israel

By Roger Matthews, Middle East Editor, in Washington

THE transformation in relations between the US and Israeli governments was officially sealed yesterday with President George Bush "enthusiastically" recommending that Congress grant $10bn in loan guarantees to the Jewish state.

Mr Bush described his two-day meeting with Mr Yitzhak Rabin, Israel's prime minister, as "a consultation between close friends and strategic partners".

The US relationship with Israel was characterised by "trust, warmth and a commitment to meeting common challenges. This is strategic co-operation at its very best," said Mr Bush, who reaffirmed the US pledge to maintain Israel's qualitative military edge over its neighbours.

After the press conference outside Mr Bush's holiday home at Kennebunkport in Maine, the two leaders flew together to Washington where Mr Bush was due to seek congressional approval for the loan guarantees, needed by Israel to finance housing for immigrants from the former Soviet Union.

The administration had refused an earlier request from the government of Mr Yitzhak Shamir, defeated in the June general election, until Israel stopped building new settlements in the occupied Arab territories.

Mr Bush praised Mr Rabin's approach to the issue and said it had taken a lot of courage to impose a ban on new Jewish housing in the territories.

The president declined to give details of the loan guarantees agreement deal but said discussions had gone beyond the broad outlines. He was convinced that the agreement was not just in the interest of Israel but also of the US people.

Mr Bush said he had also been persuaded by Mr Rabin of the new Israeli government's determination to make Middle East peace negotiations succeed. "I call upon the Arab parties to respond in kind," Mr Bush said. "The time has come to make peace, not simply to talk of it."

Peace negotiations between Israel, the Palestinians, Jordan, Syria and Lebanon are scheduled to resume in Washington on August 24 when Israel is expected to make a series of proposals for granting the Arabs in the West Bank and Gaza a degree of autonomy.

Criticised for his cautious approach to the crisis in Bosnia-Hercegovina and challenged by President Saddam Hussein's partial rejection of UN ceasefire resolutions, Mr Bush clearly revelled in yesterday's opportunity to demonstrate a foreign policy success.

Mr Rabin praised Mr Bush's leadership during the Gulf war and expressed personal gratitude to Mr Bush for helping Jews emigrate from Ethiopia and the Soviet Union. "This role will not be forgotten," he declared.

But he also reminded Mr Bush of Israel's concern over the human tragedy in Bosnia. "The killing must stop," he said.

Bush denies allegations, Page 4
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Central banks step in to prop up dollar

By Peter Norman and James Blitz in London

CONCERTED intervention by the world's leading central banks yesterday halted the dollar's decline but failed to give the US currency much of a lift.

As many as 15 central banks bought dollars for D-Marks in what appeared to be a determined effort to establish a floor for the US currency.

Mr Johann Wilhelm Gaddum, a member of the Bundesbank's policymaking central council, said the buying was initiated by the US Federal Reserve. The intervention began as the dollar was heading down towards DM1.461 in quiet lunchtime trading in Europe and continued during more than three hours of afternoon trading.

Analysts thought the central banks, which included the Bundesbank, the Bank of England and the central banks of France, Switzerland, Italy, Canada and Spain, bought more than $500m.

The intervention, however, was less effective than the most recent bout of concerted official support on July 20 when a similar number of central banks bought about $400m at about DM1.447.

Yesterday's action pushed the dollar up quickly by about 1½ pfennigs to leave it hovering around DM1.47 in late European trading. By contrast, July's intervention boosted it by 5 pfennigs to DM1.497.

A senior US Treasury Department official said yesterday's action was a sign that the US and other members of the Group of Seven leading industrial countries did not wish to depreciate the dollar. However, statements by other policy makers gave less support to the US currency.

The dollar softened after Mr Gaddum said there was no firm dollar exchange rate that the Bundesbank would commit itself to defend through intervention.

Mr Nicholas Brady, the US treasury secretary, was quoted by news agencies as telling a political gathering in Scottsdale, Arizona, that the US did not have a policy to cheapen the dollar. But any support provided by this remark was offset by Mr Brady's saying later that there was "no reason why (US) interest rates shouldn't be lower".

Analysts speculated that the Fed intervened to prop up the dollar for fear that it could start a free fall if it dropped through its previous record low of DM1.443, established in February 1991.

Although there are few signs of inflationary pressure in the US at present, such a decline could pose risks for the future.

Of more pressing concern could be the fragile state of world

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An ethnic Serb soldier takes cover during fighting with Croat-Moslem forces near Konjic, eastern Hercegovina

Serbia opens up Bosnian camps for inspection

By Judy Dempsey in London and Laura Silber in Banja Luka, north-west Bosnia

SERBIA yesterday bowed to international pressure by opening up some detention camps in Bosnia-Hercegovina and by allowing greater access to some towns and cities in the former Yugoslav republic for humanitarian relief supplies.

But there were reports that "ethnic cleansing" operations were still in progress in some areas.

Ms Sylvana Foa, a spokeswoman for the United Nations High Commission for Refugees (UNHCR), said aid convoys for Bosnia were getting through to their destinations faster and easier. "Once these people have realised how outraged the world community would be by the sight of people starving to death, that had a major impact, probably more than even the threat of the use of force," she added.

However, the Serb move to lessen the grip on some areas is also aimed at pre-empting any international military intervention, the threat of which is contained in a UN draft resolution. It is expected to be presented to the Security Council today by Britain, France and the US.

It also indicates a growing confidence on the part of Serb leaders that their forces have achieved most of their aims in Bosnia. Mr Radovan Karadzic, head of Bosnia's Serbs, said yesterday his forces had already achieved their aims, implying that he was now in a position to co-operate fully with the UN.

"We have everything. We now control 70 per cent [of the territory of Bosnia] But we only claim 64 per cent. All we need now is a negotiated settlement," he said in an interview.

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- **Russians say Serb concentration camps a myth**
- **Serbs mop up in war-torn Bosnia**

A spokesman for the UNHCR yesterday warned that Serbs were still expelling Bosnia's Moslem community, which make up 43 per cent of the 4.3m-strong population.

The official said about 20,000 Moslems would be forcibly deported from the region around Bihac, north-western Bosnia, to neighbouring Croatia as part of Mr Karadzic's plan for "ethnic cleansing" of those parts of Bosnia under Serb control.

"This is certainly the biggest group that the Serbs have tried to push out of Bosnia."

The UN draft resolution calls on all states to take "all measures necessary to facilitate, in co-ordination with the UN, the delivery of humanitarian assistance to Sarajevo, and wherever needed in other parts of Bosnia-Hercegovina". The resolution also demands unimpeded and continuous access to all camps, prisons and detentions centres.

UN diplomats said they expected support from most of the permanent and non-permanent members of the Security Council, although Russia, a traditional ally of Serbia, yesterday showed signs of distancing itself from supporting UN sanctions imposed on Belgrade last May. It also refrained from condemning the existence of detention camps in Bosnia.

Moreover, the neutral and non-aligned group of countries, once led by the former Yugoslavia, are divided about the resolution. Some Moslem nations want a tougher resolution, while traditional supporters of Serbia deny that Belgrade is solely responsible for the war in Bosnia.

In London, Mr Thomas Niles, US assistant secretary of state for European and Canadian affairs, said he hoped the adoption of the

Continued on Page 14

De Beers predicts 'significant' cut in final dividend

By Philip Gawith in Johannesburg

DE BEERS, the South African-controlled diamond group, yesterday predicted a "significant reduction" in its final dividend – only the second dividend cut in its recent history.

De Beers also said it would take the unusual step of introducing from September quotas on diamond producers. The two moves together suggest that the world diamond market is in a weaker state than many observers had believed.

De Beers' share price fell sharply in Johannesburg on the news, finishing the day 6 per cent lower at R68.50 (R73). The share has fallen by 24 per cent in the past two months.

Under the new quotas, contractual obligations of the Central Selling Organisation (CSO) – the De Beers organisation which markets about 80 per cent of the world's rough diamond production – to take delivery of diamonds will be reduced by 25 per cent.

De Beers has followed a policy of not cutting its dividend.

The company said it had reassessed the outlook for the diamond market because of lower CSO sales. This resulted partly from weaker than expected economic performances in its three main markets – the US, Japan and Europe – leading to lower retail jewellery sales and hence lower rough diamond sales.

The market weakness was exacerbated by a "dramatic increase" in the supply of illicit diamonds from Angola, some of which were sold on to the market outside of the CSO.

The group's interim figures released yesterday for the six months to June were weak but in line with market expectations.

Combined attributable earnings of De Beers and Centenary, its offshore arm, fell by 26 per cent to $330m from $446m in 1991.

The surprise came with the revised forecast for the second half. Although the board had initially predicted that its second half would be better than in 1991, it said yesterday that that the second half might be worse than the first half.

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"We should all sit down and make peace... We control 70%. But we only claim 64%."

Serbs mop up in war-torn Bosnia

By Laura Silber in Banja Luka, north-western Bosnia-Hercegovina

"YOU see what a big country we have. It took nine hours for me to get to Banja Luka by car," says Mr Radovan Karadzic, the leader of the self-proclaimed Serbian Republic of Bosnia.

"We have a functioning government. We have everything. All we need now is a negotiated settlement," he says, sitting on a dark balcony of the Hotel Bosna in Banja Luka, seat of the republic.

Mr Karadzic rejects an offer from a Serb official to order the city hospital to switch off its generator so that the hotel can get power.

Candles, and the blue flash of light from a passing armoured personnel carrier, cast shadows on the Serb leaders and soldiers in camouflage uniforms. There is an air of celebration in the hot night. The Serb leaders are noisily swapping stories, after arriving from towns where communications have been knocked out by the war. They appear oblivious to the bursts of automatic weapons fire.

A confident Mr Karadzic says he is ready to have an "all-for-all" prisoner exchange. He blames the delay on Mr Alija Izetbegovic, the president of Bosnia, who he says refuses to accept the offer. Mr Karadzic does not mention that the Moslem Slav prisoners have no home to return to. They have been destroyed.

Mr Karadzic, who politically describes himself as "a leader of the centre", says he is ready for a peaceful solution in Bosnia.

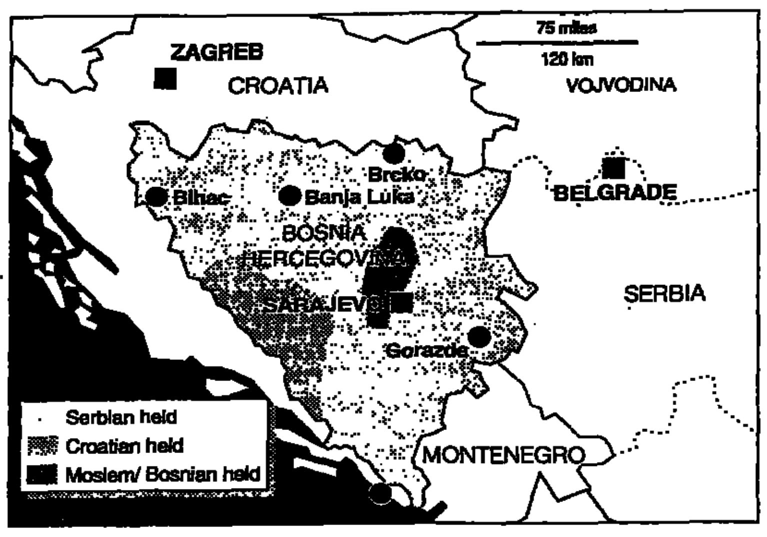
"One day we should all sit down and make peace in the Balkans, even give up some territory," he says, adding: "We now control 70 per cent. But we only claim 64 per cent as ours."

Mr Karadzic says he is ready to make peace because he knows that Serbs, who make up less than one-third of the 4.35m population, have succeeded in carving out their own republic in Bosnia.

The political reality is that Bosnia-Hercegovina no longer exists. Mr Karadzic appears unconcerned about western military intervention. "It would be a bloody big mess – with no clear political goals," he says.

Banja Luka, a 195,000-strong city in north-western Bosnia, is surrounded by villages, some of which have been devastated. Houses have been razed to the ground. Serb forces and local government officials have driven out Moslems and Croats. Houses which have been dynamited, the walls standing, but the roof blown off, bear witness to the process of ethnic cleansing.

To reach Banja Luka from Pale, Mr Karadzic's mountain stronghold just east of Sarajevo, drivers travel through corn fields and along dirt roads. Along the way, Serbian army soldiers check identity documents.



Crowds of women refugees stand on the roadside under the blazing sun waiting for a passing car to take them to an unknown destination.

Many villages have no electricity or telephone lines with the outside world. Soldiers all Serb men and many women have been mobilised - sit and drink beer, waiting for the war to end.

Battles between Serbs, on one side, and Croats and Moslems on the other, are still taking place around Brcko, once a town of 87,000 people, which is north of Sarajevo, near the border with Croatia.

Amid a barrage of gunfire, a 19-year-old blond soldier says: "The Ustashe [Croat militia] are just over the bridge."

Brcko's centre has been looted, the houses burnt out. Walls of standing buildings are riddled with bullet holes. A road sign bearing arrows to Sarajevo, Zagreb and Belgrade has been crossed out and shot at. In their place, are signs, hand-printed in large black Cyrillic letters. As if to erase the past, they point to Banja Luka and Belgrade, Serbian capitals.

Mr Karadzic proudly points out that the Serbian Republic of Bosnia has its own currency. The notes bear the Serbian symbol of the two-headed white eagle.

"We dropped the communist symbols, and adopted a real Serbian symbol, not like Belgrade," he boasts.

The charm of this bushy-haired Serb leader, a psychiatrist and poet, stands in stark contrast to the senseless destruction and deaths of some 10,000 people in the four-month war in Bosnia.

Indeed, local Serbs are outraged at allegations that Serbs are operating concentration camps. A soldier tells how Serbs would never open death camps because hundreds of thousands of Serbs, Jews and gipsies during the second world war were killed in an Ustashe concentration camp, operated by pro-Nazi Croats.

But prisoners in the Serb-run Manjaca detention camp, about 20km from Banja Luka, appeared cowed. Some are very thin and dressed in old and ragged clothes.

On a visit to the camp, Mr Paddy Ashdown, leader of Britain's opposition Liberal Democratic party, said: "This is not a death camp. This is not a concentration camp. It is a prisoner of war camp."

Manjaca is surrounded by barbed wire. Signposts warn that the area has been mined. Colonel Bozidar Popovic, the camp commander, blames the United Nations sanctions for food, medical and other shortages which the prisoners have to endure. A soldier says: "It is war. What do you expect. But the prisoners have better conditions than many of our boys at the front."

Col Popovic says: "I can personally guarantee that the conditions here are 90 per cent better than Izetbegovic's camps for Serbs."

But a prisoner, who identified himself as Havazic, said he had been transferred three days previously from Omarska, where televised scenes of painfully thin prisoners last week shocked the world.

"It was cruel. They broke our ribs," said Havazic. He is from Kozarac, a village near Prijedor where the camps are centred.

Mr Karadzic says it costs $3,000 (£1,570) a day to feed the 3,500 prisoners in Manjaca. He adds that this is a burden on the republic which must now start improving its economy. He offers to pay the bill for visiting foreign journalists. Hotel workers shrugged sceptically.

One weary woman shakes her head and says in a cynical voice: "Sure Karadzic will pay."

US demands action on human rights

By Frances Williams in Geneva

THE US has called for all those violating international humanitarian law in the former Yugoslavia and elsewhere to be named and brought to justice.

In a strongly-worded speech to the United Nations Human Rights Commission, Mr Morris Abram, US ambassador to the UN in Geneva, said yesterday many such crimes fell within the jurisdiction of domestic courts or military courts-martial. "Trial before an international tribunal is another possibility," he said.

Mr Abram, a veteran civil rights campaigner on the team at the Nuremberg War Crimes Tribunal, said countries were reluctant to take effective action against those abusing human rights.

"The standards and laws are out there, all that is required is action - in particular, action against those who commit acts of genocide and torture," he said.

Mr Abram was speaking ahead of a two-day session of the Human Rights Commission, which starts tomorrow on human rights violations in the former Yugoslavia and Bosnia-Hercegovina.

A US-drafted resolution to be put to the 53-member Commission, which has support from other, so far mostly Western, countries, condemns "widespread, massive and grave violations" of fundamental human rights and the practice of "ethnic cleansing." It calls for appointment of a special rapporteur to investigate abuses, the immediate release of all those arbitrarily detained and immediate access for the International Committee of the Red Cross to all detention camps and prisons.

The resolution also reminds countries of their obligations

"Countries are reluctant to move against those abusing human rights"

under international humanitarian law, in particular that individuals are responsible for their actions and that states are accountable for rights violations committed by their agents on another state's territory. This would pave the way for action against Serbia for atrocities in Bosnia-Hercegovina.

● Mr Laurent Fabius, leader of France's ruling Socialist party, yesterday urged the European Community "to act to stop the massacres" in Bosnia-Hercegovina by using "aerial intervention" against the Serbs, Alice Rawsthorn reports from Paris.

Mr Fabius, former prime minister and close confidant of President François Mitterrand, said action was "absolutely indispensable but not enough on its own." He praised the UN draft resolution but said it did "not go far enough."

M and S supplier identified

By Daniel Green and John Thornhill

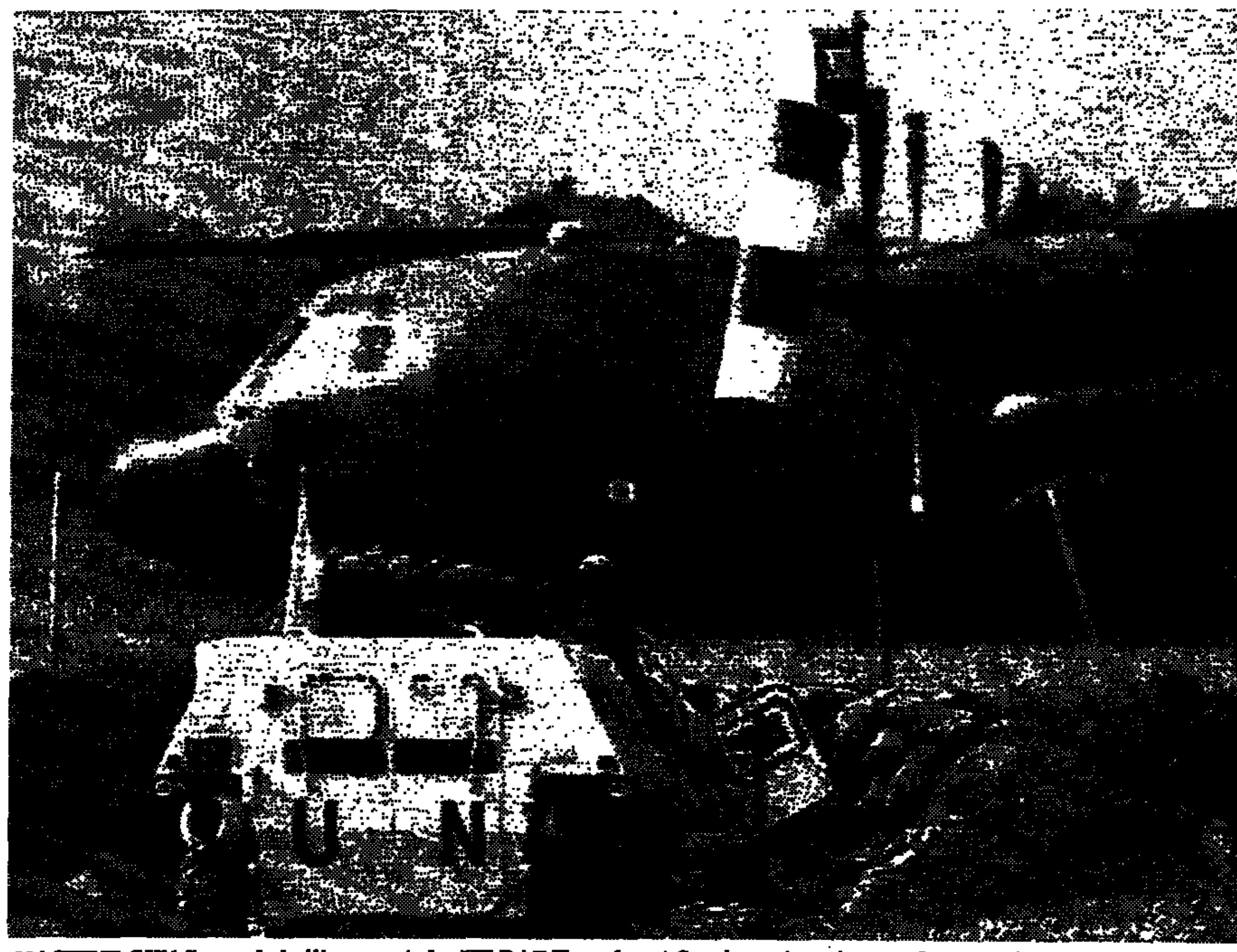
DEWHIRST, a UK textiles company, was yesterday identified as the supplier in a contract to make clothes in Serbia for Marks and Spencer, Britain's biggest retailer

Dewhirst has paid about £750,000 to Genex, the Belgrade-based foreign trade company, to make children's school blouses and shirts. Genex is controlled by Mr Slobodan Milosevic, the Serb leader.

Dewhirst exported raw materials to the factory in the Serbian town of Ivanjica. Although imports from Serbia are prohibited under UN Resolution 757, the Department of Trade and Industry has issued an import licence to Dewhirst because the raw materials were not of Serbian origin.

The contract from Dewhirst, long an M and S supplier, was signed two years ago.

The contract expires this week. M and S said : "We will not be sourcing from Yugoslavia in the future."



MACHINE GUN fire and shelling greeted a UK RAF Hercules at Sarajevo airport yesterday, but the plane was not hit

Russians say Serbian concentration camps a myth

By Leyla Boulton in Moscow

TWO prominent members of the Russian parliament who have just returned to Moscow from the former Yugoslavia yesterday described reports of concentration camps there as "myth".

One of them, Mr Yevgeny Ambartsumov, the chairman of parliament's international relations committee, spoke out against United Nations sanctions against Serbia on the grounds it created greater suffering for ordinary people.

With parliament on holiday and public opinion largely indifferent to events in the former Yugoslavia, Mr Ambartsumov's comments are unlikely to carry much immediate weight. But they are symptomatic of moves to break away from an exclusively pro-western orientation in Russian foreign policy.

Yesterday the foreign ministry expressed "surprise" that a UN draft resolution authorising the use of all means to ensure the delivery of humanitarian aid to Bosnia had been drawn up without Russia's participation.

The ministry said it should have involved at least four permanent Security Council members, and not just the three western members.

But reports from New York later suggested Russia would co-sponsor the resolution agreed by the US, France and Britain on Monday.

The Russian comments coincided with a visit to Moscow by Mr Douglas Hogg, minister of state in the British Foreign and Commonwealth Office. He said Russia would react "sympathetically" to a request to send troops to Yugoslavia to accompany convoys of humanitarian aid.

Mr Hogg confirmed that London would be sending a team of UK customs experts to Romania to help authorities tighten up on potential breaches of international sanctions.

Zurich stalls in effort to rewrite highway code

Drivers draw battle lines and give the hard shoulder to proposed car-free zone, writes Ian Rodger

ZURICH'S socialist-green coalition, in control of the city for the past six years, has been one of the most aggressive in Europe in its attempts to discourage the use of cars. Its experiences are sobering for other cities considering traffic curbing measures.

Zurich's traffic engineers have built bewildering one way mazes, raised speed bumps everywhere and eliminated vehicle lanes in favour of more space for bicycles, trams and pedestrians.

The council has financed an efficient new commuter train network to the suburbs and the council has banned the creation of new parking places in the city.

Recently, it has taken to removing existing parking places by stealth. Hardly a week goes by without a few street parking places being replaced overnight by bollards and trees.

This summer, the council has resorted to trying to provoke feelings of guilt – mounting posters on the outskirts of the city, shouting "Zuviel Ozon" (Too Much Ozone), imploring people to abandon their cars and use trams or bicycles in the city.

The most significant gain is that the city has a wonderful public transportation system, with smooth trams that roll for the most part uninhibited on reserved lanes, and whose drivers have the power to turn traffic lights in their favour.

The system is also extremely successful, winning some 300m passengers a year within a population basin of little more than half a million.

But the use of cars for commuting into the city has continued to rise. According to the town council, the number of

European Diary

Switzerland

cars registered in the city has risen from 130,000 in 1986 to 141,000 last year.

In addition, the number of motor units (a measure which reduces lorries to car equivalents) coming into the city every day averages 474,000, roughly 150,000 more than the city's population.

Perhaps the biggest failure of the programme is that it has riled the city's business community to the extent that several attempts to enlarging downtown pedestrian areas have been stymied.

The businessmen favour more pedestrian precincts but insist that parking places lost in the greened streets be replaced one for one in adjacent streets or with new multi-storey car parks. The town council insists that the operation must be used to reduce further the total number of parking places available.

The council has twice proposed closing off the whole centre of town to cars for the summer months, but this has been rejected by the Conservative cantonal government as impractical.

"They imagined barriers - rather like Checkpoint Charlie – with every car driver being checked to see whether he had a personal parking space in the centre or if he was a doctor on an errand of mercy," says Mr Hans Georg Lüchinger, the recently retired president of the Zurich Vereinigung (chamber of commerce).

The chief strategist of Zurich's war on cars is its councillor for transport, Mr Rudolf Aeschbacher, who makes no apologies for his aggressive approach. A cycling enthusiast, he believes there is simply no point in trying to satisfy the driving fraternity.

"We have to reduce the actual ability of people to drive in and to town. If you keep facilities at the same level, people will stay in their cars," he says.

He points to one main artery entering the city from a motorway where the city deliberately reduced the capacity from two lanes to one. "We immediately had a 35 per cent reduction of traffic coming in. We wanted to do it on other arteries, but the cantonal government overruled us.

"When it becomes less attractive to drive into town, people will start taking the train," he states. Thus, he refuses to improve the road system. "We say that we cannot afford to have a good public transport system and a very good road system. The road system should only be big enough for things that have to be done with a car, and my view is that probably only 30 to 40 per cent of what is being done now in cars is necessary."

Mr Aeschbacher's policies have ignited so much anger among Zurich's middle classes that they have given unexpected staying power to a fringe political organisation called the Automobile Party.

The party was created in 1985 in response to a short-lived national anti-car campaign by Greens, but it still claims 8,000 active members and has eight seats in the federal parliament and two in the Zurich cantonal government.

Mr Michael Dreher, president of the party's federal parliamentary group, gives no corner to Mr Aeschbacher. "We think a car should be either moving or parked, not looking for a parking space. The right to choose your means of travel is a basic human right."

In Mr Dreher's view, the chamber of commerce and Mr Lüchinger are "softies", and the Zurich anti-car policy based on a misconception.

"Zurich has the cleanest air of all European cities. In 1985, they tried to tell us that the forests were dying because of cars. They were lying. Now they tell us about the greenhouse effect. Sober common sense in this country has disappeared."

Far from being distressed about this political force, Mr Aeschbacher seems to like it. "Now we know for how many people cars are the absolute priority. It is five to six per cent of the vote. If we did not have that party, we would not know."

Mr Aeschbacher also has some unexpected allies. Last spring, Nissan Motor launched a promotion in which any purchaser of a new Nissan car would get a year's pass on the Zurich public transportation system, worth SFr1,328 (£524.90) for only SFr100.

"Going by tram is okay and going by car is okay. It is a matter of getting the proportions right and using moderation," Nissan and the Zurich public transport authority said in their joint advertisements.

Even the cantonal government may be moving his way. Recent research by its statistical department confirmed that it was proving very difficult to pull Zurich's rich suburban commuters out of their BMWs and Mercedes.

The researchers concluded that the only solutions were slower roads and fewer parking places. "As long as a driver can arrive at his destination in a reasonable time and find somewhere to park, there is no way he is going to change his habits," they said.

Threat of a French summer of discontent

THE threat of a summer of discontent looms in France with the dockers stepping up their industrial action by calling a national strike today and disgruntled farmers renewing their protests against the European Community's agricultural reforms, Alice Rawsthorn reports from Paris.

The dock strike will be the second national stoppage at France's ports this week. The dockers have staged intermittent protests throughout the summer against new legislation which involves job losses and radical changes in their employment status.

Today's stoppage has been called to protest against an incident in Dunkerque on Monday when 12 dock workers were held by police for questioning about alleged vandalism to the port over the weekend.

Meanwhile French farmers yesterday stepped up their protests. More than 100 farmers occupied the agriculture ministry's regional office at Auch in the Gers region demanding the right to put their case to Mr Pierre Bérégovoy, the French prime minister.

The demonstration broke up after Mr Bérégovoy agreed to see them next Wednesday.

Italy appoints new Mafia-buster

The delay in appointing a head for Italy's new Mafia-busting "super-magistrature" has finally ended with the nomination of Mr Giuseppe Di Gennaro to the post, Haig Simonian reports from Milan.

In a surprise nomination, Mr Di Gennaro, 68, a supreme court judge best known for his former work for the Vienna-based drugs-fighting arm of the United Nations, is to take the position on a temporary basis pending the appointment of an official head later this year. Mr Di Gennaro's experience includes supervising Italy's prisons, a task which led to his kidnap in 1975 and made him a terrorist target in the 1970s.

EC go-ahead for steel venture

EC competition authorities yesterday gave the go-ahead to two joint ventures in the steel and telecommunications sectors, reports Andrew Hill in Brussels.

The European Commission has cleared Northern Telecom of Canada to proceed with its FFr700m ($140m) investment in Matra Communications, the telecommunications division of Matra, the French defence electronics group.

Brussels also cleared Péchiney Electrométallurgie, a subsidiary of the French steel company, to combine its coated wire operations with those of SKW, which belongs to the German conglomerate Viag.

CIS living standards fall

Living standards and production throughout the Commonwealth of Independent States are plunging sharply, according to figures produced by the CIS statistical committee, writes John Lloyd in Moscow.

The figures show national income for the CIS states down by more than 18 per cent for the first six months, compared with to the same period in 1991. In Armenia, which is fighting neighbouring Azerbaijan, national income was down to 53.4 per cent of the previous year. In Moldova, where a civil war raged for much of the early part of 1992, it was down to 72.1 per cent.

Production declines of between 12 and 20 per cent were recorded for almost all products in almost all states.

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Kuwait deterrent force likely

By Tony Walker in Cairo

Message to Baghdad: US marines in exercise Eager Mace storm "enemy" positions 35km from the Iraqi border. Some 600 marines are involved

HASTILY ARRANGED visits this week to Egypt and to Syria by Sheikh Salem al-Sabah, the Kuwaiti foreign minister, have fuelled speculation that the Gulf emirate may be ready to accept the presence of an Arab deterrent force on its soil to counter renewed Iraqi threats.

Sheikh Salem said on his arrival in Damascus yesterday that his talks with his Syrian counterpart and with President Hafez al-Assad would focus on Iraq's "false claims" and also its challenge to security council ceasefire resolutions.

In defiance of UN resolutions, Baghdad used the August 2 anniversary of Iraq's 1990 invasion of Kuwait to renew its claim to the tiny emirate, thereby raising fresh tensions throughout the Gulf.

Egypt and Syria have been pressing for the implementation of the Damascus declaration of March 1991, which laid out a programme of economic and security co-operation between the two powerful Arab states and the six members of the Gulf Co-operation Council – Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Oman and Bahrain.

Under the accord, signed in the aftermath of the war, Egypt and Syria would supply troops to the Gulf to deter further aggression in return for financial assistance, including investment in their lagging economies. However, after the declaration was signed the Iraqi threat receded and the Gulf states were unable to agree on deployment of a deterrent force. Several GCC members expressed reservations out of concern for a semi-permanent presence of Arab troops on their soil.

Egypt and Syria were part of the US-led multinational force which expelled Iraq from Kuwait in February 1990. Both expressed irritation over the Gulf states' apparent reluctance to implement the accord.

Shejikh Salem said implementation of the accord would be discussed at a meeting of Gulf foreign ministers in Qatar on September 9. Defending delays in the implementation of the Damascus declaration, Sheikh Salem said: "If there was a postponement it was due to special circumstances and not to disbelief in the principle of the declaration. We all have full agreement on the declaration with all its security, economic and political sides."

UN told of extensive human rights violations by Iraq

By Michael Littlejohns, UN Correspondent, in New York

THE United Nations Security Council was scheduled last night to hold a special session to hear charges of massive violations of human rights by Iraqi forces against the country's Shia population in the southern marshlands. The Council was expected to consider despatching UN observers to the area to maintain continuous monitoring but this would require Baghdad's co-operation.

Mr Max van der Stoel, a former Dutch foreign minister now serving as a UN rights investigator, recommended in an interim report last week that "some credible mechanism" be established to ensure that the Iraqi government halted the repression.

Acting alone and making occasional visits to the country, he could not himself adequately fill that role. A positive response by the government to the proposal would indicate a commitment to stop the violations and refusal could only increase fears that the attacks would continue.

Mr van der Stoel, who was to testify at the Council meeting, said there was convincing evidence of heavy shelling of Shia villages. Measures to stem the assaults were "of utmost urgency."

The western powers accused Iraq of ignoring a 16-month-old Council resolution condemning mistreatment of civilians and called for an end to all repression, including human rights violations against Kurds.

Tokyo share values at six-year low

By Gordon Cramb in Tokyo

THE TOKYO stock market yesterday fell below the 15,000 level of the Nikkei index, sending share values to their lowest since March 1986 and prompting renewed government efforts to buoy sentiment.

At a morning flurry of ministerial press conferences – after reportedly heated cabinet discussions – it was announced that measures to provide indirect support to the market were under consideration. However, this was not concrete enough to draw buyers back into the market. The Nikkei average of 225 leading companies, on the decline for four sessions in a row, ended 243.78 points lower at 14,822.56.

Mr Tsutomu Hata, finance minister, held out the prospect of help to financial institutions in unwinding problem loans. Land held by them as collateral could be included in government purchases of sites for future public works projects, he suggested.

Mr Hata has been under fire from within the ruling Liberal Democratic party over his ministry's allegedly tardy response to weakness in the economy and property and equity markets. This prompted calls by Mr Kiichi Miyazawa, the prime minister, for ministries to put aside sectional interests in formulating autumn measures to stimulate growth.

News on the economy yesterday remained negative. The Economic Planning Agency (EPA) said private sector machinery orders for June, excluding those placed by the shipping and electric power industries, were down 19.2 per cent from a year earlier and 3.2 per cent below the May figure. Analysts had been hoping for a month-on-month upturn.

The EPA forecast that machinery orders would be up 9 per cent in the current quarter compared to the April-June period, which had shown a 17.9 per cent fall against the previous three months. This would, however, still leave order levels 14.3 per cent below the third quarter of last year.

In another measure of a sluggish manufacturing sector, June use of electricity by Japanese industry, according to preliminary figures from the Ministry of International Trade and Industry, was down 2.3 per cent from the same month of 1991. It was the fourth month in a row that demand had fallen.

Mr Kozo Watanabe, the Miti minister, said the structure of Japanese industry had to be strengthened and went as far as disclosing that his staff had given up their summer holiday to prepare such measures.

Mr Robert Feldman, economist at Salomon Bros in Tokyo, said: "The government has begun some serious work on fiscal support, but it's a few months too late."

Stock market turnover moderated slightly to 190m shares from Monday's 200m, and some comfort was drawn from a slowing in the steep slide by Nippon Telegraph and Telephone, the market leader. NTT shares closed at Y465,000 (£1,914), another record low, but the fall of Y2,000 was modest compared with a Y42,000 plunge the previous day.

Mr Hideo Watanabe, posts and telecommunications minister, hinted that the semi-privatised utility might be allowed to diversify. He added that the ministry was also considering using income from its postal savings and life assurance services to invest in equities.

See Editorial Comment

Taped evidence of SA massacre lost

By Michael Holman in Johannesburg

THIRTEEN hours of tape recording of police radio calls during the afternoon and night of the June 17 Boipatong massacre were accidentally erased, a senior police officer told a judicial commission yesterday.

Maj Chris Davidson, the police officer investigating allegations of security force complicity in the massacre of 42 township residents, said that all calls to the regional internal stability unit between 2pm on June 17 and 3am the next day had been accidentally erased by the person on duty.

Maj Davidson was testifying before the Goldstone commission of inquiry into political violence, sitting in Vereeniging, near Johannesburg.

Mr Justice Goldstone ordered that the tapes be submitted to the commission.

Witnesses from the township have alleged that armoured patrol cars had dropped off attackers from Boipatong's Kwamadala hostel and had escorted them back to the hostel after the massacre in which 42 people were killed.

Maj Davidson said that his investigation left him satisfied that the security forces were not implicated.

● South African government ministers were due to meet a delegation from the Pan Africanist Congress (PAC) at a Johannesburg hotel last night.

The meeting, the second this year, is expected to include discussion of possible PAC participation in constitutional talks, currently suspended but expected to resume soon.

The PAC has refused to join the Convention for a Democratic South Africa (Codesa), the forum for negotiations, insisting that talks should take place outside South Africa, under neutral chairmanship.

Public sector liability for Egypt

Tony Walker examines a reluctance to overhaul state industries

WHEN Mr Lewis Preston, the World Bank president, visited Egypt last month to review economic reforms he urged quicker progress in the key area of structural change and warned of dangers of the country falling behind in its commitments.

"A great deal has been achieved, but a great deal remains to be done," he said. "Time is of the essence. It is crucial that the momentum of economic reform be maintained to realise sustainable growth as soon as possible."

Behind Mr Preston's words lie fears among International Monetary Fund and World Bank officials that Egypt, having made an exemplary start in fiscal and monetary reform, will falter when it comes to overhauling its crumbling, but politically sensitive, public sector which accounts for some 70 per cent of industrial activity.

Officials say that Egypt is too cautious in determining state-owned enterprises for rationalisation and divestiture and in initiating sell-offs to private investors.

They blame entrenched bureaucratic interests such as those represented by the General Authority for Investment (GAFI), for the laggardly approach to structural reform. One official observed that "perhaps the most constructive thing we could do would be to dynamite GAFI."

"The reality is that they have to create 600,000 jobs a year. Their export of labour is getting to the point of saturation. They need growth and that requires new private sector investment," said a western economist.

"What is required is for the private sector to reach a critical mass of confidence and start investing in employment-generating activities, and that clearly is not happening."

An IMF official says lack of progress on liberalising the public sector should not be judged too harshly, since Egypt had embraced one of the "more courageous" austerity programmes put forward by the Fund for less developed countries.

It has curbed growth in the money supply; brought the deficit under control, reaching an IMF target of 7 per cent of GDP in 1991/92; reduced subsidies on a wide range of items; markedly improved its balance of payments; stabilised its currency; and built up a healthy Central Bank reserve of about US7bn.

The World Bank, which set aside some $300m of as a Structural Adjustment Loan and an additional $100m to help cushion redundancies, is worried that once momentum slows, it will be difficult to regenerate. Hence Mr Preston's warnings.

An increase in Islamic extremist agitation has made the ultra-cautious Egyptian authorities even more nervous about structural reforms which may cause redundancies and risk unrest in the streets.

The government, through its newly-created Public Enterprise Office (PEO), has identified 20 enterprises, either wholly state-owned or joint ventures, for privatisation. These small to medium-sized enterprises in areas such as cement, food processing, textiles and chemicals are being evaluated some under a scheme funded by the United States Agency for International Development.

A representative of the PEO, defines the privatisation criteria for Egyptian enterprises: "They must be profitable, medium-sized, not governed by too many regulations; they must have minimal labour problems, be non-strategic, attractive to investors and pose no environmental hazards."

This would seem to rule out, for the time being, the state-dominated financial sector, including banks and insurance companies, the national carrier EgyptAir, and heavy manufacturing industries.

Potential investors and aid donors remain sceptical of a new public sector law designed to facilitate privatisation. Concerns persist that the law, which groups Egypt's industrial enterprises in 27 holding companies, adds another layer of bureaucratic control, making divestiture and rationalisation even more difficult.

Likewise, bankers and local businessmen warn that while new capital markets and banking regulations will improve the regulatory environment, bureaucratic attitudes are impeding progress towards a more liberal economy.

A prime example is a proposed paper mill in Upper Egypt, using the cane residue from local sugar refineries. The project, vital to an Egypt almost totally dependent on imported paper, has been caught up in unaccountable bureaucratic delays since the mid-1980's, defying central efforts to impose a solution.

The episode stands as an extremely bad advertisement for Egypt's claims that it craves foreign investment in employment and wealth-generating local industries.

Both the IMF and World Bank in their combined efforts, to keep Egypt on the straight and narrow path of reform, will be engaged in further consultations throughout the rest of the year. The IMF, whose 18 month stand-by agreement with Egypt expires in November, will begin talks next month on new arrangements.

A Fund official said one option was to conclude an enhanced structural adjustment facility (ESAF), under which concessional finance would be available for structural change to complement the World Bank programme. Egypt's May 1991 standby agreement was restricted to balance of payments support.

There would seem to be few serious impediments to Egypt reaching agreement with the Fund so it can continue debt rescheduling in line with last year's agreement with the Paris Club of creditor nations. A 50 per cent reduction in Egypt's $20bn debt to its Paris Club creditors is being achieved mainly through phased interest rate cuts. Total foreign debt stands at about $40bn.

The World Bank, which has disbursed half of a $300m structural adjustment loan, is seeking further trade liberalisation, including tariff cuts, and accelerated public sector reforms before releasing the second tranche. Bank officials say there is no timetable for the releasebut express hope that Egypt's reform programme will warrant a further reward by the middle of next year.

Brussels urges UN troops for Somalia relief

By Julian Ozanne in Nairobi

THE European Commission yesterday joined the call for an urgent United Nations military intervention in Somalia as UN officials in Mogadishu said they were nearing agreement with the battling warlords on the arrival of armed UN guards to protect relief operations.

The Commission said the EC's 12 member states should immediately put pressure on the UN to ensure food and medical supplies were protected by a "greater number of blue berets. Without protection," the Commission said, "international organisations and non-governmental organisations face strict limits on their activities."

According to the Commission, UN intervention is now "extremely urgent". The Commission also said it could unblock funds to assist with greater humanitarian action.

Aid workers say the security situation and massive looting and banditry make it impossible to distribute food to the most malnourished. Gen Mohamed Farrar Aideed, one of the warlords who controls the south of Mogadishu, has consistently blocked the intervention of foreign troops, saying it threatens the sovereignty of Somalia.

However, a senior UN official in Mogadishu said yesterday that Ambassador Mohamed Sahnoun, the UN secretary-general's special representative in Somalia, was close to getting Gen Aideed's agreement for a limited military intervention to secure the port and international airport in Mogadishu and perhaps to establish safe food corridors. "It's looking much better and we could have an agreement within 48 hours," he said.

In Nairobi Mr Abdul Mohamed, an expert on relief in the famine-plagued Horn of Africa, said on his return from Somalia that Gen Aideed's acceptance of UN troops would be welcome but that the international community should not wait for his approval.

"The international community has already waited for much too long: thousands of women and children have died," he said. "It is absolutely immoral for the UN and the world to listen to warlords who talk of sovereignty while they fail to feed their people or provide basic law and order. A massive, unprecedented aid effort is required in Somalia now, with or without approval of the bandits who masquerade as legitimate leaders."

A UN mission is now in Somalia considering how to improve delivery of massive food aid. They will report to the secretary-general by the weekend. Their report will form the basis of further action by the Security Council.

A leading African organisation also criticised yesterday the poor efforts of the international community to alleviate the plight of millions of starving Somalis.

Ms Rakiya Omar, the executive director of Africa Watch, said: "The world is only acting now on Somalia because of intense media and public pressure. They have known about the tragedy for months and their record is a disgrace."

Ms Omar said Somalia had been completely overshadowed by Bosnia because Somalia had no strategic significance in the international community.

Supporting the belated European Commission call for intervention Ms Omar urged the international community to dispatch urgently at least a limited number of armed UN guards.

Ms Omar also urged Britain to use its presidency of the EC to argue for a massively increased aid effort.

NEWS IN BRIEF

Lamrani named as Moroccan premier

KING HASSAN of Morocco yesterday named Mr Mohammed Karim Lamrani, 72, as the country's prime minister, Reuter reports from Rabat.

Mr Lamrani will lead a 28-member government appointed to supervise elections due later this year. A prominent economist and businessman who served as prime minister in 1971 and 1984, Mr Lamrani replaces Mr Azeddine Laraki, 63, whose centrist government was dismissed by the king on Monday after being in office for seven years.

Taiwan reverses loan move

The state-owned Bank of Taiwan has reversed its decision to stop providing loans for investment in China following heavy pressure from the local business community, Reuter reports from Tapei.

The bank, which is Taiwan's largest, had announced on Monday it would refuse applications from local companies for loans to invest in China and suspend all remittances of funds there in an attempt to reduce capital outflows.

Odinga suspended by party

Kenya's main opposition FORD party teetered on the verge of a total split yesterday after one of its squabbling factions announced the suspension of veteran leader and Interim Chairman Jaramogi Oginga Odinga, Reuter reports from Nairobi.

Just six months after it was legalised, FORD is divided on how to select a candidate to face President Moi and the ruling KANU party in the country's first multi-party elections in 26 years.

Kashmir elections postponed

The Indian government yesterday said it would extend federal rule in the troubled province of Kashmir for another six months, shelving plans to hold elections for the state assembly, Reuter reports from New Delhi.

Mr Shankarrao Chavan, the home minister, said in parliament that the situation in the region, where Moslem militants are fighting for independence from India, was not conducive to the holding of elections.

Cambodia budget approved

The legislature of the Phnom Penh administration yesterday approved a state budget for the rest of the year, Reuter reports from Phnom Penh. Provisional figures for the first six months showed a budget deficit, with expenditure from January to June 1992 of 104.118bn (£64m) riel against revenue of 48.437bn riel. The assembly also passed legislation on foreign investment, foreign exchange, labour, accountancy and taxation for hotel rooms.

Philippine shipyard sale

PHILIPPINE National Oil Company (PNOC), the state-owned energy group, has finalised plans to auction off its 10-year-old shipyard under a privatisation programme, Jose Galang writes from Manila

The shipyard, which has an aggregate capacity of 31,500 gross revenue tons spread over a 22.9-hectare facility at Batangas Bay just south of Manila, will be sold for at least 420m pesos (£9.1m). It is owned by PNOC Dockyard and Engineering Corporation, a subsidiary of the state enterprise.

The sale of the shipyard, along with several other assets in the coming months, will allow PNOC to concentrate on its energy business, an official said.

Invitations to bid are due to be announced in the next few days, PNOC said yesterday.

Currency slide adds to Australian woes

By Emilia Tagaza in Canberra

AUSTRALIA'S fragile economy was yesterday shaken by the fall of the Australian dollar to a three-year low. It fell to 73.1 US cents in the Australian market, despite intervention from the Reserve Bank.

While the slide was triggered by gloomy retail trade figures announced by the government statistics bureau, markets have also been made nervous by rumours of a budget deficit of $A16bn (£6bn) in 1992-93, and of another cut in interest rates.

The government is committed to allocating more funds for job-creating programmes in the 1992-93 budget. This is in addition to a $A2.3bn spending programme announced in February which has so far failed to alleviate unemployment, which stood at 11 per cent in July. The $A2.3bn programme, allocated over two years, helped push last year's budget deficit to around A$9.4bn.

The government is now banking on favourable growth figures being released tomorrow and is confident that growth of 2 per cent was achieved in 1991-92. This would mean a budget deficit of A$13bn-A$14bn.

The government is hoping for a big revenue-raising boost, in the shape of the planned sale of Qantas, Australia's international flight carrier. Mr Ralph Willis, minister for finance, yesterday said the government was to press ahead with the airline sale to raise over A$1bn during the year.

NEWS: AMERICA

Clinton offers gain through pain

An embattled Bush is attacking Democrats' economic plans, writes Michael Prowse

AS THE Republican party prepares for its convention in Houston next week, a top priority is to find a way to regain the initiative on economic policy. Republicans, like British Conservatives, have traditionally seen economic management as one of their electoral strong suits.

This year nothing is going according to plan. Instead of recovering strongly, the economy is wallowing in its third successive year of quasi-recession. To add to this frustration, Governor Bill Clinton, the Democratic presidential candidate, has seized the initiative with a detailed economic plan emphasising the need for more investment in education, training and infrastructure.

After a few weeks of disarray the Bush administration is beginning to formulate a response. The main line of attack – reminiscent of that used by the Tories against Labour in the British election – is to depict Mr Clinton as an irresponsible proponent of higher taxes, spending and government regulation.

The strategy is to cast doubt both on Mr Clinton's record as governor of Arkansas and his plans for the nation. Vice-President Dan Quayle has accused Mr Clinton of raising taxes and fees in Arkansas 128 times in 11 years. The Clinton campaign argues the true figure is about 55, and points out that Mr Quayle has overlooked the 48 tax cuts passed by Mr Clinton.

There is perhaps more mileage in attacking Mr Clinton's economic plan. Mr Dick Armey, the top Republican on Congress's joint economic committee, this week bitterly attacked his proposals, claiming that higher taxes and a sweeping array of new regulations would lead to 1.8m job losses next year and more than 3m over a Clinton presidency.

Mr Clayton Yeutter, a top White House aide, said the Democratic package would result in a $300bn (£157bn) budget deficit in 1996, about 50 per cent higher than projected on current Republican plans.

Democrats immediately claimed the charges were a deliberate misrepresentation of Mr Clinton's proposals.

The Democrats, however, are vulnerable in one respect. Like Mr Neil Kinnock, the former leader of the UK Labour party, Mr Clinton has committed himself to raising taxes on the wealthy. He hopes to raise $92bn over four years by increasing taxes on the top 2 per cent of earners and by imposing a special millionaire's surtax. This is to be balanced by minor tax cuts for many middle-income families.

Republicans argue that higher taxes on the wealthy will depress growth next year and directly cost about 440,000 jobs. They are also trying to undermine confidence in Mr Clinton's health care, training and environmental proposals.

On health care, for example, Mr Clinton supports a version of the "play or pay" reform advocated by congressional Democrats under which companies would be required to insure all employees or to contribute towards the cost of an expanded federal scheme for the low paid. To improve workforce skills, Mr Clinton argues that all employers should be required to spend 1.5 per cent of payroll on training.

The Republicans say both policies amount to the imposition of new taxes on employers and thus will lead to more unemployment.

This is not necessarily true: given the flexibility of US labour markets, the burden could be borne in lower wages. But it is hard for Democrats to deny that policies intended to improve long-term competitiveness could impose extra short-run costs on some businesses.

How the Republican critique will play with voters remains uncertain. At present President George Bush is labouring under two big disadvantages.

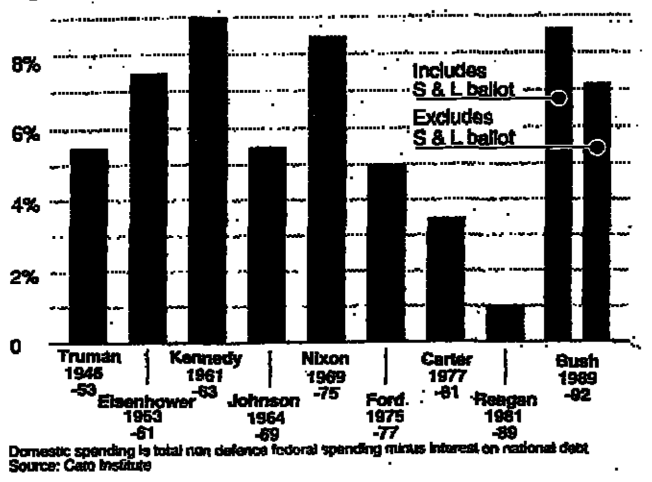
His record is poor. He has presided over the slowest economic growth and the biggest federal deficits of any administration since the second world war. Federal domestic spending has grown at an annual rate of more than 8 per cent in real terms, the fastest since the Kennedy administration of the early 1960s. Mr Bush can hardly attack Democrats as big spenders.

Even worse, he still has no clear economic strategy. Conservatives are urging him to promise swingeing cuts in income and capital taxes in a second term. But a revival of the 1980s supply-side nostrums would make a nonsense of Mr Bush's recent support for a controversial constitutional amendment to balance the budget. After 12 years in which the federal debt has quadrupled to $4,000bn, nobody would believe he could both slash taxes and eliminate the deficit.

Against this backdrop Mr Clinton has the advantage of offering something genuinely new. The heart of his cure for a debilitating slowdown in US productivity growth is a shift of spending from consumption to investment, with special attention to workforce skills and infrastructure.

Given the economic disillusionment of recent years, Democrats hope that voters may find such a strategy more plausible than the quick fixes of the last decade, even if it involves some sacrifices.

Average annual real domestic spending increases



Domestic spending is total non defence federal spending minus interest on national debt
Source: Cato Institute

Claims likely to sour presidential campaign

Angry Bush denies allegations of affair

By Jurek Martin in Washington

PRESIDENT George Bush yesterday angrily denied he had an extra-marital affair with his former appointments secretary eight years ago in Switzerland.

Asked at a press conference with Mr Yitzhak Rabin, the Israeli prime minister, for his reaction to a New York tabloid newspaper report on the alleged affair, he snapped back: "I'm not going to take any sleazy questions like that from CNN. I am very disappointed you would ask such a question of me."

He went on: "I will not respond to it. I haven't responded in the past. I am outraged but nevertheless in this kind of screwy climate we're in I expect it. But I don't like it and I'm not going to respond other than to say it is a lie."

Mrs Barbara Bush, who was at the press conference, merely said that "fortunately" she had not seen a copy of the newspaper, the New York Post.

Earlier Ms Mary Matalin, the Bush campaign's combative political director, as good as accused the Democratic party of being responsible for the story's publication. "They've been peddling this trash book to reputable newspapers for years," she said.

The account, spread over front and inside pages, was lifted directly from a footnote in a new book about power broking in Washington. In it the husband of the author, Ms Susan B. Trento, reports a 1986 conversation with Mr Louis Fields, the former US ambassador to arms negotiations in Geneva, who died in 1988. This purportedly described Mr Fields arranging a tryst for the then vice-president with the aide, Ms Jennifer Fitzgerald.

Rumours of Mr Bush's liaison have been the stuff of cocktail party gossip in Washington all year. Earlier accusations of marital infidelity against Mr Bill Clinton, now the Democratic presidential candidate, first published in a supermarket tabloid, had induced US news organisations to try to find out if there was substance to the Bush reports. None has published independently confirmed evidence.

The most obvious impact on the presidential campaign is to make it that much dirtier. The widespread assumption had been that more "revelations" of Mr Clinton's private life were in the offing.

Much will depend on how the US media treats the latest developments. Its mainstream elements have agonised over the extent to which they went along with the unsubstantiated allegations against Mr Clinton by Ms Gennifer Flowers and her tabloid paymasters, and may thus treat with disdain the New York Post's equally unembellished reprinting of a six-year-old private conversation with a dead man.

Californian compromise budget fails

THE California legislature, agonising over the largest US state's desperate finances, has failed to pass a compromise budget, Reuter reports from Sacramento. California has been without a budget since June 30, when Governor Pete Wilson and members of the legislature could not agree on a solution to bridge a $10.7bn (£5.6bn) spending gap.

The legislature held a rare Sunday evening session to debate a $57.6bn compromise budget, seeking deep cuts in state spending and education. But the measure was not backed by Republicans on Monday.

"I think the situation may be irreconcilable," Mr John Vasconcellos, a Democratic member of the assembly, said.

Canada near decision on constitution talks

By Bernard Simon in Toronto

MR Brian Mulroney, Canada's prime minister, and his cabinet are expected to decide today whether to call a full-scale constitutional conference, in the hope of concluding negotiations on the country's political future.

The conference, which would probably take place next week and be attended by leaders of all 10 provinces, two territories and aboriginal groups, would be a last-ditch effort to bridge differences remaining between Quebec and the rest of the country.

Mr Robert Bourassa, Quebec's premier, has indicated he would attend, after boycotting national-unity negotiations for the past two years. He said after an informal meeting with Mr Mulroney and the other premiers on Monday that there were "some attitudes [and] proposals which clearly have a purpose to take into account the priorities of Quebec".

Mr Bourassa is committed to holding a national-unity referendum in Quebec by the end of October. He would like to have a deal in place by then which could be presented to Quebecois as the best way for the Francophone province to gain extra powers while remaining part of the federation.

The latest initiative comes barely a month after the nine English-speaking provinces cobbled together a package of constitutional proposals which they hoped would find favour in Quebec. But Mr Bourassa has indicated he cannot accept some key elements.

Durán warns on reforms

NEW Ecuadorean President Sixto Durán Ballen (right) acknowledges his supporters after arriving at the congressional palace for his inauguration on Monday.

Mr Durán warned that the country would suffer more sacrifices from planned free-market reforms designed to bolster the economy, Reuter reports from Quito. He added that Ecuador would open the doors of the state-run petroleum industry and seek foreign investment and ventures to boost reserves scheduled to run out in 12 years.

NEWS: WORLD TRADE

CBI warns US against harming British trade

By David Dodwell, World Trade Editor

THE Confederation of British Industry (CBI) yesterday warned of damage to UK trade links with the US if Washington adopts laws aiming to raise more taxes from foreign companies operating in the US.

Mr Howard Davies, CBI director-general, has told Mr Nicholas Brady, US treasury secretary, and key Congressmen that proposed tax changes "strike at the heart of long-standing international tax principles underpinning successful free trade and investment around the world". The proposals were "conceptually flawed, unworkable in practice, and discriminatory".

Britain is the biggest foreign investor in the US, with holdings of £56bn. Mr Davies said the proposed new taxes would have "disturbing implications for British investment in the US, and US investment in the UK". Retaliation could not be ruled out.

The proposed US measures, some in a draft bill put to Congress in May and endorsed by Mr Bill Clinton, Democratic presidential candidate, are prompted by suspicions that foreign companies artificially lower their US profits by manipulating transfer prices with their US-based subsidiaries, in an apparent bid to cheat the Internal Revenue Service (IRS).

They are intended to raise new revenues without taxing US voters more heavily. Mr Clinton wants to raise $45bn in the next four years by "cracking down on foreign companies that prosper here and manipulate tax laws to their advantage". International anxiety over unilateral US action where international agreement is seen as essential has led to the OECD studying the issue.

Mr Jean-Claude Paye, OECD secretary-general, has told Mr Brady the bill "could have a damaging effect on the future development of world trade and the long-run interests of the US". The issue has grown as foreign direct investment flows have surged. Foreign direct investment flows in 1990 amounted to $225bn (£117bn), the UN's World Investment Report says, increasing 34 per cent a year between 1985 and 1990.

Trade between parent companies and foreign-based offshoots accounts for 40 per cent of total world exports, which amounted to $3,485bn in 1990. The transfer pricing proposal would tax foreign companies as if their gross profit margin were three-quarters of the US industry average, whether or not they actually made a profit. Critics say such an assumption cannot be made.

Another proposal would put an arbitrary minimum tax level on foreign-owned companies, discriminating between them and US companies. It would impose capital gains tax on foreign shareholders with over 10 per cent of stock of a US company, imposing a tax on insurance premiums.

Dumping appeal by Norsk Hydro

By Karen Fossli in Oslo

NORSK HYDRO, Norway's biggest publicly quoted company, said yesterday it would appeal against a US International Trade Commission (ITC) decision to levy tariffs on magnesium exports from its Canadian plant to the US.

The ITC ruled that unfairly low-priced pure and alloy magnesium exported to the US from Norsk Hydro's Becancour plant was damaging the US magnesium industry, with production subsidised through cheap energy prices from Hydro Quebec, the Canadian electricity producer. Hydro Quebec is not part of the Norsk Hydro group.

In July, the US Commerce Department cleared Norsk Hydro of allegations of dumping magnesium from Norway in the US. The new ITC ruling seeks a 21.61 per cent countervailing duty on Norsk Hydro's Canadian pure and alloy magnesium exports to the US, with a 32.33 per cent dumping duty on pure magnesium. The company will appeal against the ITC decisions at a panel under the US-Canada Free Trade Agreement, and believed it would prevail.

Norsk Hydro wanted a review of the countervailing duty rate, taking into account an amendment to an electricity deal signed this week with Hydro Quebec. The new contract met all criteria spelled out in a July decision for risk and profit-sharing electricity contracts not to be subject to countervailing duties.

"This should allow elimination of the 14 per cent part of the countervailing duty erroneously attributed to the electricity contract," Norsk Hydro said: the review should be completed before the year ended. In July, the company said the Commerce Department had accepted its offer to renegotiate power-supply contracts with Hydro Quebec and repay some C$20m of provincial investment funds from Canada and Quebec to establish its Becancour plant. Since the charges were made last September, Norsk Hydro has cut output to half the Canadian plant's 45,000-tonne-a-year capacity.

China prepares to launch Australian satellite

CHINA will try again to launch an Australian satellite on Friday, five months after a fire halted the last attempt and threatened to undermine its efforts to offer such commercial services, Daniel Green writes.

Also hoping for success are BellSouth of the US, Cable and Wireless of the UK and the Mayne Nickless group of Australia, members of the Optus consortium owning the satellite. The consortium has paid $A200m (£77m) to buy, launch and insure the satellite, to provide pay TV for Australia and New Zealand.

The satellite, Optus B1, was built by Hughes Aircraft, part of General Motors. The rocket vehicle is the Long March 2E, a converted ballistic missile. A technical fault in the first stage of a Long March-2E rocket on March 22 caused a shutdown of its motors shortly before lift-off, aborting the programme. The failure raised doubts about China's ability to enter the world of commercial satellite launchers. The market is dominated by the US (General Dynamics, McDonnell Douglas and Martin Marietta) and Europe (Arianespace).

Success for China would give it a lead over the other likely new entrant, Russia. Commercial launches by Japan and India are several years away. Optus B1 is to join the company's three-satellite network, the Optus A series, in orbit over Australia, servicing Australia and New Zealand. The second B-series satellite is set to be taken into orbit by a Chinese rocket in December.

Caricom discord over customs union

Canute James looks at internal differences over an external tariff

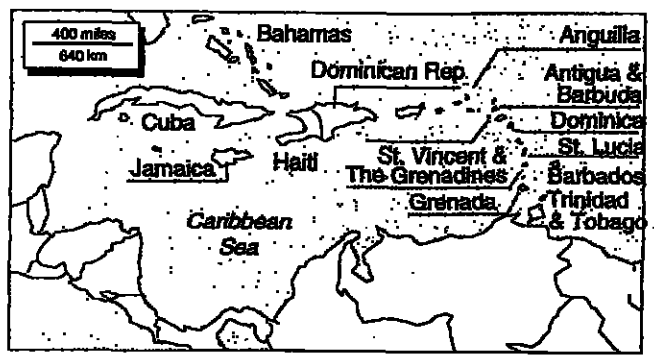
GOVERNMENTS of the Caribbean Community (Caricom) have decided to review the common external tariff amid indications that the controversial rates will be lowered.

At their recent annual summit in Trinidad, the leaders were faced with the prospect that their increasingly frustrated efforts to create a regional common market in two years could be made more difficult unless a customs union is established.

Despite several deadlines for its implementation, four Caricom members have refused to impose the tariff, saying it would be inflationary and damage fledgling light industries in need of protection.

The ground-level difficulties have been exacerbated by criticism of Caricom's tariff levels from the US, the World Bank and the International Monetary Fund. This, coupled with unfavourable comparisons of tariffs being used or proposed by other regional groupings, has left governments concerned that the Caribbean Community could become uncompetitive in exports and investments if no changes were made to the common tariff.

Caricom, which has a market of 5.5m people, comprises 13 English-speaking countries of the region, including Belize in Central America, the Bahamas, and Guyana in South America.



It was established in 1973 with the aim of strengthening the economies of its members through increased regional trade and a common approach in trade negotiations with third countries.

All members except the Bahamas, which is not a signatory of the trading agreements, have said they would implement the common tariff.

The common external tariff imposes low rates of duty on imports which do not compete with goods produced within the community, but it sets high rates on any imports which are likely to injure domestic industry.

The highest rate of duty within the community is 45 per cent and the lowest 5 per cent, replacing a structure in which tariffs ranged from 5 per cent to 70 per cent.

Rates differ according to whether the imports are raw materials or finished products. Imported agricultural products attract the highest rate of tax in order to protect local agriculture, while inputs for agriculture, such as fertilisers and seeds, are subject to very low tariffs.

The Jamaican government has proposed that the highest level be reduced to 20 per cent but some Caricom members consider this too drastic, claiming there is still need for protection in some sectors.

The review ordered by the heads of government will be completed in time for an extraordinary summit at the end of October. It is widely expected that the highest tariff will be cut to 30 per cent, with an agreed timetable for further reduction.

"Caricom cannot have a common tariff implemented by some members and not by all," said Mr P J Patterson, Jamaica's prime minister. "High tariffs are out of step with global trends and inconsistent with the mood of the international marketplace."

This opinion is shared by his St Lucian counterpart, Mr John Compton, who argued: "Industry cannot develop as a hot-house flower, artificially protected by high tariffs and quantitative restrictions. Industry must become efficient and not only compete in the domestic market, but seek to penetrate the export markets which are now available."

There are still doubts about the wisdom of changing the tariff. Mr Charles Maynard, the trade minister of Dominica, opposes any rethink of the structure and remains committed to the common external tariff as an instrument of protection for regional agriculture and manufacturing.

There is agreement, however, that the community's agriculture sector must be protected. "There will still be a need to safeguard the agriculture sector in the community because it will not be able to compete with subsidised imports," said Mr Patterson.

A senior official in Trinidad and Tobago's trade ministry said Caricom could not afford to become a "dumping ground for subsidised agricultural products from countries such as the US where the annual subsidy on a farm cow is higher than the per capita income in some Caricom states."

Malaysia in trade pact with Vietnam

MALAYSIA and Vietnam have signed a pact to boost bilateral trade, giving each other special rates on imports and exports, Reuter reports from Kuala Lumpur. "It provides most-favoured-nation treatment for both our countries in these matters," Mrs Rafidah Aziz, Malaysia's trade minister, said

OECD EXPORT CREDIT RATES

Minimum interest rates for officially supported export credits (%)

	Aug 15-Sept 14	July 15-Aug 14
DMark	9.54	9.34
Ecu	9.89	9.50
French franc	10.30	10.15
Guilder*	9.55	same
Guilder#	9.50	9.40
Guilder†	9.35	9.30
Italian lira	13.49	12.61
Yen	5.90	same
Peseta	13.26	12.70
Sterling	10.16	10.15
Swiss franc	8.09	8.08
US dollar*	5.91	6.60
US dollar#	6.84	7.48
US dollar†	7.36	7.90

*Up to 5 years.
#Five to 8½ years.
†More than 8½ years.
These rates are published monthly by the Financial Times, normally around the middle of each month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for longer than 120 days. SDR-based rates of interest are the same for all currencies. The SDR-based rate was changed on February 15. It will be subject to change on January 15, 1993*

Mexican toll road deal

A MEXICAN consortium headed by Grupo ICA has won a contract to build a 340km toll road from Mexico City to Guadalajara, at a cost of $1.2bn (£620m), the biggest such contract ever awarded in Mexico, Damian Fraser reports from Mexico City.

The consortium, made up of the Mexican companies Grupo ICA, Tribasa, Grupo de Desarrollo Mexicano and the brokerage Interacciones, intends to finance half the cost by international and domestic highway bonds, with returns guaranteed by future motorway tolls.

These would be the first international bonds to finance an as-yet-unfinished motorway. The building company PACSA, owned by Tribasa, re-financed a completed motorway with $207.5m of international bonds in June. Concessions have been awarded for 3,500km of toll roads, with plans to raise this to 5,700km. The ICA group has the concession on the Guadalajara-Mexico City motorway for 18 years.

Senator tells Bush to act on anxieties over Nafta

SENATOR Max Baucus, Senate trade sub-committee chairman, yesterday warned the Bush administration, previewing the Congress debate on the North American Free Trade Agreement, to answer labour and environmentalists' concerns with action, Nancy Dunne reports from Washington.

With negotiators still working on Nafta in Washington yesterday, he said the administration's record on the environment was such that Congress would insist the pact contain: protection for US environmental laws, with pledges they would not be weakened; a funding mechanism for environmental enforcement on the US side of the border, estimated to cost $1bn (£500m); enforcement of Mexico's own environmental laws.

"In recent weeks, the administration has raised the spectre of protectionists in environmental clothing. Though I understand that concern, I am far more concerned with the possibility of polluters in free trade clothing." He was challenged by Mr William Riley, administrator of the US Environmental Protection Agency. The Nafta, he said, would be "the greenest international trade treaty yet seen," setting a model for future trade pacts.

Feltrim Names face losses of up to £700m

By Richard Lapper

MORE THAN 1,000 Lloyd's Names could face insurance losses of nearly £700m, well above the feared losses, according to a market report.

The Names, the individuals whose personal assets back the insurance market's capital, are members of Feltrim syndicates, 540/542 and 847, which specialise in catastrophe reinsurance. Between 1987 and 1990 the syndicates were swamped by claims from a series of hurricanes, explosions and other disasters. Their losses had been expected to total £450m.

But a report prepared by the current managers of syndicates 540/542 and 847 – which include a large number of hard-hit US and Canadian Names – says losses could exceed £691m.

Losses for the 1989 year alone could reach £298m, compared with earlier estimates of £216m. The Lloyd's of London insurance market announced a £2.06bn loss for 1989 in June.

Mr Tony Berry, the underwriter administering the syndicate since it ceased trading, claims to have uncovered a pattern of lax management controls and inadequate reinsurance arrangements.

"The state of the reinsurance system was indeed a sight to behold and has been a major task to sort out," said Mr Berry. Human errors were at an "unacceptably high level" and controls "were clearly inadequate."

He added: "I feel devastated at the results these syndicates are producing and the manner in which they have arisen."

The news is bound to fuel the anger of Names on the two syndicates, who are also awaiting the results of a separate investigation into Feltrim, led by Sir Patrick Neill, a leading barrister.

Sir Patrick was asked to head the investigation last year but has taken far longer than expected to produce his report. The report could be presented to the Lloyd's Council, the market's governing body next month.

Weak demand slows rise in factory prices

By Emma Tucker, Economics Staff

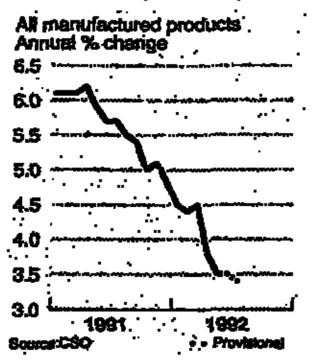
THE prices of manufactured goods leaving Britain's factories rose in the year to July at the lowest annual rate since 1968.

A 0.1 per cent rise in the producer prices index last month brought the year-on-year increase to 3.4 per cent, compared with an annual rate of 3.5 per cent in June.

The annual rate of increase in producer prices, often taken as a measure of core inflation, has fallen from a peak of 6.2 per cent in April 1991, to July's 3.4 per cent, supporting the government's aim of squeezing the upward pressure on prices and reflecting the weak level of domestic demand.

Further evidence of the disinflationary momentum in the British economy came from the rise in the index excluding the volatile prices of food, drink and tobacco. This rose by 0.1 per cent on the month, bringing the year-on-year increase to 2.8 per cent compared with 2.9 per cent in the year to June.

The seasonally adjusted prices of raw materials and fuels used by manufacturing industry were flat in July compared with the previous month, but remained 1.5 per cent down on a year ago.



Non-seasonally adjusted input prices fell by 0.7 per cent last month compared with June, reflecting depressed commodity prices.

The Treasury said falling input prices with stable unit-labour costs would ensure further reductions in the annual rate of producer price inflation over the coming months.

Feathers fly as marksmen head for hills

SPORTSMEN and landowners will be anxiously scanning the skies over Scotland and northern England today as the glorious Twelfth of August opens the grouse shooting season, writes James Buxton.

Shooters are always anxious because the fast flying, jinking birds are extremely hard to hit; their hosts are worried because prospects for this year's season are mixed. In some parts of Scotland the Twelfth could be marred by a shortage of grouse, the result of a poor breeding season caused by a cold wet spring followed by an unusually dry early summer.

While the recession has deterred some UK marksmen, the French, Italians and Germans are coming back in force, as are Americans who booked before the dollar collapsed.

Yet according to Mr Malcolm Borthwick who operates his grouse moor at Raeshaw south of Edinburgh on a strictly commercial basis, "the whole viability of the operation is as fragile as ever."

Glyn Genin

Profit target: Malcolm Borthwick takes aim on his Scottish moor, where marksmen will pay up to £7,000 a day to shoot grouse

Lenders try to avoid higher mortgage rates

By David Barchard

LARGE building societies yesterday moved to head off a general increase in mortgage interest rates after Skipton, the 14th largest society, put up its rates for investors and existing borrowers.

Skipton, which has assets of £2.7bn, triggered fears of a general rise in mortgage rates when it announced the rate charged to existing borrowers would rise by 0.5 percentage point to 11.25 per cent from August 12. New customers will be charged 10.99 per cent.

However, societies thought most likely to follow Skipton made it clear that they would not do so.

Instead of immediately raising their mortgage rates, the large societies may now cut their rates for savers, after two similar moves earlier this month by National Savings which trimmed its rates to relieve pressure on the societies.

Bradford & Bingley, the seventh largest society, yesterday said it was cutting its rates to savers by 0.45 percentage point from August 15.

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Employers predict slowing wage inflation

BRITAIN could be on the way to cracking its long-standing problem of wage inflation, according to the Confederation of British Industry (CBI).

The CBI's optimism is based on three consecutive quarter of steady manufacturing settlements at 4.3 per cent while manufacturing productivity is growing at 3.2 per cent and inflation is 3.9 per cent and falling.

"This is welcome evidence that pay behaviour is settling into a non-inflationary pattern," says the CBI.

Pessimists, however, suggest that three consecutive quarters of rises at 4.3 per cent looks suspiciously like a floor for settlements. If that is the case then the national average earnings figure might not fall below 6 per cent for a very long time.

The pessimists' most telling point is that membership of the European Monetary System (EMS) makes any favourable comparisons with pay trends in the 1980s' recession irrelevant. It is true that in the early 1980s, with inflation at a similar level to today's, the settlement floor was higher, about 5 per cent.

At that time, however, the pound was about to embark on a long period of devaluation, which cancelled out much of the effect of British wage inflation in international trade.

Devaluation is now ruled out by EMS membership and Britain's wage inflation has nowhere to hide. Wage increases must now be as low as those of the country's main competitors.

Unless Britain can maintain faster productivity growth across the whole economy than it's European competitors higher wage inflation will feed directly into lower profits and lost competitiveness.

Thanks to the pressures created by reunification, growth in German average earnings may briefly rise to 6 per cent. But Germany's underlying wages growth is far lower than the UK's, where average earnings are now rising at 6.5 per cent.

Average earnings growth in France is 4 per cent and in the US 2 per cent. Britain still appears a long way off those sort of figures.

Yet the CBI's optimistic outlook is supported by some city analysts. Greenwell Montagu predicts that pay settlements will continue falling to 2.5 per cent by the end of next year and that growth in average earnings, which finally slipped below 7 per cent last month, will reach 4.6 per cent by that time.

Optimists say current settlement figures look even better from the perspective of company pay bills. Many companies, especially in manufacturing, are continuing to shed staff, so an average 4.3 per cent pay rise can mean the company pay bill is static or even falling.

There is also evidence to support the CBI's view that pay is increasingly driven by business factors.

The two clearest examples are chemicals and construction. The construction industry's problems are reflected in the average 2.5 per cent pay rise, whereas the chemical industry has been more buoyant with several companies agreeing 6 per cent in the first six months of this year.

Industrial Relations Services, the research group, says pay freezes continue to affect a small but significant number of companies and are at about the same level as last year.

Freezes have been concentrated in sectors like retailing and in business units of larger companies which have hit hard times, like the strip products division of British Steel.

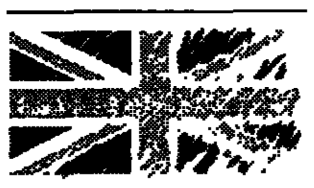
Pay experts say the inflation rate remains central to pay bargaining. Ms Angela Wright of Industrial Research Services, warns: "We may be breaking with the idea of inflation-plus but inflation remains a benchmark and we are still far off an inflation-minus approach."

David Goodhart

The government has taken the unprecedented stop of withdrawing a pay offer to a group of government officials after members of the National Union of Civil and Public Servants rejected the reform of pay determination.

The move by the Treasury demonstrates growing impatience with the 114,000-strong union's opposition to Citizens' Charter proposals to extend performance-related pay. If the Treasury is no longer bound by a long term agreement, it would be free to abandon a formula which links pay rises to increases in the private sector. In recent years, the formula has helped government officials to win rises above the rate of inflation. Previously the Treasury has imposed pay agreements when it has been unable to win union approval for them, but it has not withdrawn them.

Britain in brief



BT charges to fall after Oftel deal

Telephone users in the UK are set to benefit from greater reductions in call charges after BT accepted proposals by Oftel, the telecommunications regulator, for a stricter pricing regime.

BT said it had agreed to implement Oftel's proposals which limit price increases on a basket of services to RPI minus 7.5 per cent.

The new pricing regime, which will last for four years starting next August, means that BT subscribers can expect real reductions in rates over the four years as long as inflation, currently at 4 per cent, stays below 7.5 per cent.

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Telecom licence plan confirmed

The government has confirmed details of its plans to award telecommunications licences to four companies in a bid to increase competition for BT and Mercury.

The public telecommunications operators (PTO) licences, which are subject to approval by parliament, are the first to be awarded since the government's duopoly review of the industry in 1990, which opened the sector to further competition. The DTI said it was studying applications from a further 22 groups.

The companies which are to receive a PTO licence are Ionica, a Cambridge-based private enterprise, Millicom, a US telecommunications company, National Network, based in Buckinghamshire, and WorldCom, a Swiss-owned company operating in the UK.

Bowater faces MMC referral

Mr Michael Heseltine, secretary of state for trade and industry, has intervened to prevent concentration of power in the medical bags and pouches market.

He has asked the Bowater packaging group to dispose of one its two businesses in the sector, under threat of a referral to the Monopolies and Mergers Commission. Bowater built up a dominant position in this particular market following its acquisition of DRG Packaging in March.

Mr David Jones, Bowater's finance director, accepted that its two medical bags businesses had a combined share of 51 per cent of an £11m market. But he added that, in spite of the high market share, Bowater had not anticipated any competition problems because of the increasing "Europeanisation" of supply.

Truck sales rise by 6.7%

Truck sales in July were 6.7 per cent higher than in the same month a year ago, the first monthly year-on-year increase in 34 months.

Overall commercial vehicle sales dropped again by 21 per cent, however, after only a brief respite in June when the sector succeeded in reversing 32 consecutive months of decline, according to the Society of Motor Manufacturers.

Small profits in unit trusts

Half of all unit trust companies earned marginal profits or made losses in 1991, mostly reflecting spiralling costs of sales and distribution, a new industry survey shows.

Mr Derek Ross, partner at Touche Ross Management Consultants, said the firm's latest industry survey showed that there was still significant overcapapcity in the sector and that consolidation is likely to begin shortly.

"The main point is rationalization. There are too many unit trusts," he said.

New tax plan on exchange

The government has authorised new draft legislation on the tax treatment of foreign exchange gains and losses and financial instruments for managing interest rate risk.

The Inland Revenue said instruments for interest rate risk would be taxed as income in the future, reflecting the responses to its consultation document issued last August.

A series of detailed proposals on foreign exchange treatment are also under discussion, in line with a second document released last year.

Complaint on water upheld

The Advertising Standards Authority has told the water industry not to claim that British tap water was the "best in Europe" unless there was proof. The ASA upheld a complaint by Friends of the Earth against an advertisement in Water Bulletin, an industry journal, from the Water Services Association representing 10 water companies in England and Wales.

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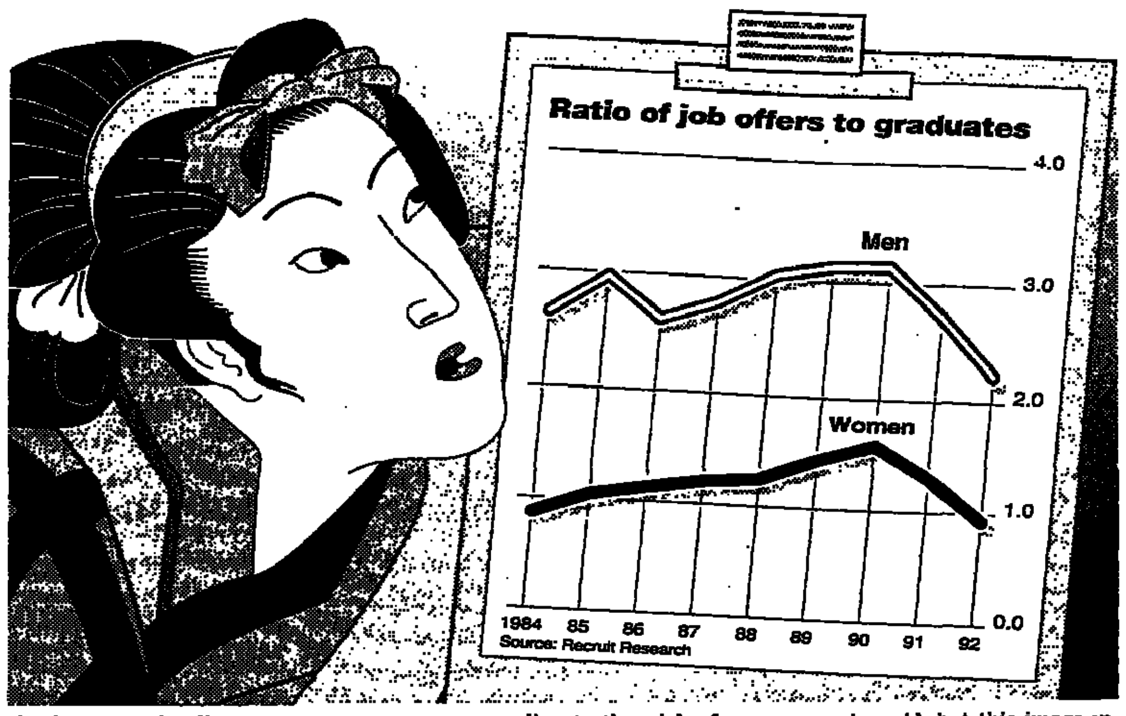
MANAGEMENT

Opportunities for women are shrinking fast in cash-strapped Japan, writes **Robert Thomson**

Madonnas in retreat



Three years ago, the success of the Iron Butterfly, Miss Takako Doi, the Socialist Party leader, created a "Madonna Boom" in Japanese politics, with parties rushing to enlist women candidates and the country debating when the first woman prime minister would be appointed.

Corporate Japan had its own Madonna Boom, as image-conscious companies commissioned advertisements that portrayed strong women talking on cellular phones or putting in overtime long after the men had left for their karaoke bars and their water-weakened whiskies.

In the meantime, Miss Doi has resigned, the number of new women candidates at last month's Upper House fell by half, and cash-strapped Japanese companies have begun a back-to-basics campaign which includes trimming the intake of new women and the opportunities for women already on the career path.

Companies are remarkably blunt about their intentions. Toyota Motor will reduce its intake this year of young male high school graduates by 7.4 per cent to 1,580, while the number of women graduates is to fall by 25.6 per cent to 570. Nomura Securities will halve its annual intake of women from last year's 800, and the total number of women workers is likely to fall to 3,000 in 1997 from the present 5,000.

There are two career tracks for women in Japan: the "ippanshoku", which involves general administrative work and carries no promise of promotion; and the "sogoshoku", which is supposed to provide women with promotion opportunities equal to those of the mainstream men.

Women on both tracks are having to pay the price for bad management decisions made in the late 1980s, the easy money era, when firms rapidly expanded their workforces. For example, securities industry personnel increased by 41.6 per cent in the four years until the peaking of the stock market in December 1989.

The collapse of the stock market and the economic slowdown have shown that while Japanese women are making incremental gains in the workplace, the impression of equal opportunity was as exaggerated as the Nikkei market average in 1989.

At that time, the labour shortage and the need for more women managers were urgent themes in the Japanese financial press, and it seemed women would inevitably take places at the top corporate tables.

However, a study by Recruit Research of graduates' job opportunities has shown that not only are opportunities for women severely limited at the top end of management, but that there is a striking imbalance at the entry end, even for graduates of the more prestigious universities. University background is important, as about 45 per cent of the bureaucratic elite come annually from Tokyo and Kyoto universities.

Recruit found that the ratio of new job offers to male graduates last year was 2.72:1, but that for the present year, the figure fell to 2.22. For women graduates, including those from two-year specialist courses, the job offer ratio was a meagre 1.30 last year and had declined to 0.93, meaning that there are more applicants than jobs for the first time in eight years.

A section manager at one of Japan's Big Four securities houses suggested that women have suffered most because they were hired simply to sell stocks – and the market collapse had made them redundant. A second role in corporate identity campaigns has also evaporated – companies were once keen to attract publicity by hiring more women, he said, but this image-enhancing drive has been scaled down.

For example, securities companies were particularly keen to impress foreign clients, and made a point of dispatching women to their offices in London and New York. A Japanese house had sent four women to its London office, but, to save money, recently cut back to just one. one.

Personnel managers generally argue that women are unable to make the commitment necessary to justify the expense of training them for management positions. Without that commitment, there will be no promotion goes the argument, though the research by Recruit suggests there are fewer opportunities regardless of the commitment.

Companies are continuing "experiments" with women managers, in that they are allowed to do what male graduates of the same age would do. In one test case, a 27-year-old woman at a Japanese commercial bank was recently sent from Tokyo head office to a suburban branch to work as a loans officer, enabling her to gather the experience necessary for further promotion.

The bank found that some proprietors of smaller businesses were offended when their account was given to a woman, so she has concentrated on less prejudiced proprietors, as well as foreign businesses and the more liberal-minded of the larger Japanese companies.

Her work schedule is tough, with 13-hour days the norm, and she fears that somewhere down the career track, the male-dominated system may reject her.

But she is determined to succeed: "The personnel department is always checking on me, ringing the branch manager to ask about my work. But I feel that I have to stay. If I stop, it will be more difficult for other women."

Just like Mamma used to make

Local fare reigns supreme when Italian businessmen go out to lunch, writes **Haig Simonian**

Untouched by political corruption scandals, recession and Mafia murders, the business lunch is alive and well in Italy.

In Milan, the country's business capital, companies may be tightening their financial belts, yet corporate midday eating remains a tradition.

But unlike some of Italy's north European neighbours, the stress is as much on "lunch" as on "business".

The hard bargaining will have already taken place in the office or will be reserved for a post-prandial contest. By contrast, lunch represents an agreeable truce, a pleasant way of sizing up the opposition or having a good gossip with colleagues outside HQ.

Although executives have grown more conscious of their waistlines than in the pasta-guzzling past, quality remains paramount.

Italian businessmen are likely to be as concerned about the preparation of their toadstool-sized portion of branzino (sea-bass) as they were with the consistency of the gorgonzola sauce on their gnocci a decade ago.

Business diners are conservative, patronising a handful of places they know well, rather than experimenting. Moreover, Milan's legendary work ethic (which is true only by Italian standards) means people prefer to eat within walking distance of the office rather than taking a cab. Gastronomic expeditions tend to be left for the evening or weekends.

Likewise, meals tend to grow longer the further south one heads. Times are another big national difference. While northern lunches will invariably start around one – or half an hour later at a pinch – that is still early for Rome, where most restaurants would barely be starting to fill up, with the real rush after two.

Times for dinner differ accordingly. But one factor is constant irrespective of location. In a country where inebriation is definitely brutta figura (bad form), alcohol consumption, especially at midday, is moderate. Familiarity with a restaurant means diners often forego the menu and look to the head waiter, always addressed informally, for guidance instead. Though usually genuine, the technique is sometimes just a sham to impress the unknowing.

The gradual shift towards "healthier" eating has put a premium on fish. Surprisingly, Milan,

Executives have grown more conscious of their waistlines but quality remains paramount

although about as far as any Italian can get from the sea without crossing into Switzerland, is one of the best places to eat it. The city's fabled fish market is a clearing house for the country's catches, meaning that the chances of finding fresh fish are as high – if not higher - than in many coastal resorts.

However, even the most diet-conscious executives are grasping that eating fish, invariably dearer than meat, has its price. Italy is no longer the bargain basement of many first-time visitors' dreams, and Milan is easily its most costly city. So the bill for a small, albeit tasty, filet of a pricey catch like sea-bass can be upsetting. And when served by weight, as is often the case, the bill can be shockingly high. Emerging from one of the city's big-name restaurants like Savini, Don Lisander or Alfio for less than L100,000 (£46.79) a head is a considerable achievement.

In spite of healthier eating, some factors remain constant. First, you can safely assume that any corporate meal will be Italian. The number of foreign restaurants in Milan especially has crept up of late. Some, like Suntory, Rasa Sayang or Royal Dynasty, are sufficiently upmarket to tempt the business luncher. Yet if the diners – or at least the hosts – are Italians, you can bet your next pay rise that local fare is what you'll get.

The stress on things domestic stretches to wine. It is hard to find a restaurant, even top-notch, offering anything but home growths. A few of the most upmarket places may stretch to some French vintages, but thirsty Spaniards or Germans hankering for a familiar tipple will be disappointed.

Some Italians complain that the rise of city centre expense-account dining has been the bane of thousands of sleepy, traditional trattorias, turning them into the cool, antiseptic eateries that now dominate corporate dining in much of northern Italy, notably Milan. For once a respectable trattoria has started making big money, out goes the old wood-panelling and in come the ubiquitous grey or white tiles, forecourt halogen lighting and pine furniture.

Although uninviting, that ambience is a magnet for many well-travelled younger executives, or older colleagues who want to promote a more cosmopolitan image. Peck in Milan, with one Michelin rosette, typifies the look.

But regional allegiances are still sufficiently strong for many businessmen to opt for tradition and choose a restaurant specialising in dishes from their local area. Milanese wanting to strike a balance between good food and a solid, but not stuffy, atmosphere often go to Boeucc, a big, efficient but attractive restaurant that is expensive enough to impress without being outrageous.

Seasonal variations are also much more noticeable in Italy than most European countries. Choosing a heavy stew, or kidneys, traditionally served with polenta – a leaden maize-based potato substitute – would be a gaffe in a stifling Milanese summer. Likewise, ordering a strong red Barolo in mid-July is not recommended, even in Turin, the capital of Piedmont where it is grown.

Choosing local dishes is a sure way to impress one's host, but newcomers needn't exaggerate.

Menu

Antipasto misto di pesce alla marinara

Risotto alla Milanese

Branzino con pinoli e capperi

Insalata mista

Affogato al caffe

Cafe espresso

BUSINESS AND THE ENVIRONMENT

Biodegradable plastics made from plants are bearing commercial fruit, writes **Clive Cookson**

It grows on trees

Biodegradable plastics are continuing to make commercial and scientific progress, in the face of scepticism from environmental groups and a formidable cost disadvantage compared with petrochemical plastics.

ICI, the UK chemical group, has just opened a plant at Billingham in the north-east of England to make 300 tonnes a year of Biopol, which it says is the first fully biodegradable commercial plastic. The company plans to raise annual production of "Nature's plastic" to 5,000 tonnes by the mid 1990s.

Biopol is made in an industrial fermenter by bacteria that convert sugar (refined from corn or beet) into a polymer. But US scientists recently announced an important step towards making biodegradable plastic directly in plants – raising the vision of farmers growing plastic potatoes in the next century. Researchers at Michigan State University and James Madison University in Virginia have made a plastic similar to Biopol in genetically engineered Arabidopsis thaliana, a type of cress.

At present Biopol costs about £10 per kilo – 20 times more than conventional plastic. Although the price will fall as ICI scales up production, plastic produced in a bacterial fermenter is bound to be much more expensive than its petrochemical equivalent.

But the US experiments – and similar research being carried out by ICI Seeds in the UK – could open the way to a cheaper source of biodegradable plastic.

Plants are more efficient than bacteria at producing large quantities of organic material, says Christopher Somerville, professor of botany at MSU, and the cost could eventually be reduced tenfold by growing Biopol-type polymers on farms. For example, potatoes might be genetically engineered to make and store plastics instead of starch in their tubers.

Even at its current price ICI has no shortage of buyers for the limited amounts of Biopol available. It has been used in Germany since 1990 to make bottles for Wella's Sanara shampoo.

Biopol's US launch came this year in the form of bottles for Brocato International's Evanesce shampoo, and the material is being tested by Creightons Naturally in the UK for cosmetics containers.

Japan has shown particular enthusiasm for Biopol since its introduction there in 1991 as a container for Ishizawa Kenkyujo's Earthic Alga shampoos and conditioners. This year three other Japanese hair care companies started using Biopol containers and next month Kai will introduce a disposable razor with a Biopol handle. ICI Japan is developing other applications with local users – for example, Biopol nets to collect edible seaweed.

However, several environmental groups are distinctly unenthusiastic. "Our view of biodegradable plastics including Biopol is that they are a red herring," says Sarah Finch of Friends of the Earth.

Scientists recently announced an important step towards making biodegradable plastic directly in plants – raising the vision of farmers growing plastic potatoes in the next century

"They give people the wrong message – that it's OK to throw plastics away – and distract from the real need, which is to recycle plastics," she adds.

ICI responds that there are many applications of plastic – particularly when it is mixed closely with other materials - for which recycling is not practical. Examples include rubbish bags, disposable nappies, and paper plates and cups coated with thin plastic film. In these cases a material such as Biopol, which is consumed by micro-organisms in a landfill site, should have a clear environmental advantage over petrochemical plastics that last for decades. A Biopol shampoo bottle disappears within two years in a typical dump, ICI says.

Biodegradability is not the only environmental claim made for Biopol. Another point is that it is made from renewable resources – sugar refined from crops – rather than fossil fuels. And Biopol does not have to be thrown away; it can be recycled or burned cleanly to provide energy in an incinerator.

Polyhydroxybutyrate (PHB), the polymer on which Biopol is based, is produced naturally by a wide range of micro-organisms as an energy store, in the same way as humans accumulate fat. ICI uses Alcaligenes eutrophus, a common bacterium, in its fermenter.

Pure PHB is too stiff and brittle for most applications, so ICI adds small amounts of a simple organic acid to the sugar feedstock, to make the plastic stronger and more flexible. In technical terms, the bacteria then produce co-polymers composed mainly of PHB with varying amounts of hydroxyvalerate (HV).

In this way ICI can produce a range of thermoplastic polymers which can be processed with conventional techniques to make bottles, mouldings, fibres and films. High-grade Biopol is being developed for medical applications, including woven patches for use inside the body to protect tissues from scarring after surgery; after the wound has healed, enzymes in the blood dissolve away the patch.

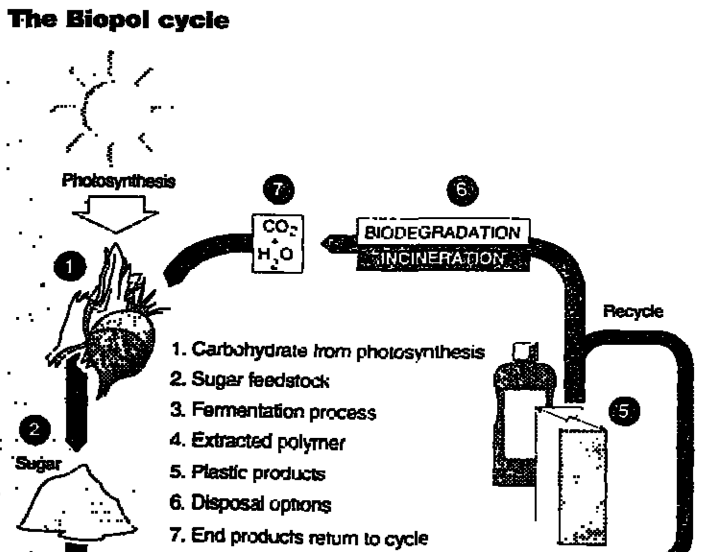
The genetically engineered Arabidopsis plants have so far produced only small amounts of pure PHB, but Yves Poirier of Michigan State University believes it will eventually be possible to make a range of PHB-HV co-polymers directly in crops.

Although PHB-based polymers have set the pace so far, researchers are developing other biodegradable materials. In the US, for example, Du Pont and the Battelle Institute are working on plastics based on lactic acid, a cheap by-product of the dairy industry.

Another approach is to use carbohydrate polymers based on starch. Partially biodegradable shopping bags are already manufactured from a thin matrix of conventional polythene filled in with starch. After the bag has been thrown away, micro-organisms eat away the starch, leaving a flimsy polythene structure which soon disintegrates. Ferruzzi of Italy and Warner Lambert of the US are developing fully biodegradable starch-based plastics.

At present, biodegradable plastics represent just a tiny market compared with conventional petrochemical materials whose production amounts to more than 100m tonnes per year. But oil and gas prices will rise substantially over the next 20 years, according to most economists' predictions, and bio-plastics will become cheaper through a combination of scientific progress and improved process technology. Farming for plastics could then grow into a large agribusiness.

The Biopol cycle



A taste of one's own medicine

Chile's olive growers have challenged the word of one of Europe's green businessmen, says **Leslie Crawford**

There is a far-flung corner of Stephan Schmidheiny's business empire that is not as green as the Swiss magnate's concern for the environment.

Schmidheiny, founder of the Business Council for Sustainable Development and voice of enlightened corporations at the Rio Earth Summit, is a leading shareholder in an iron pellet plant which is destroying the livelihood of hundreds of farmers in the Huasco Valley of northern Chile.

The valley used to be Chile's leading producer of olives – harvesting some 6,000 tonnes a year, according to local agriculture inspectors – until the pellet plant was built in 1978. Today, the olive harvest barely reaches 1,000 tonnes.

Standing in the middle of an olive grove planted by his grandfather, Gregorio Gonzalez points to the cause: the canopies of his sturdy trees are pitch black. The evergreen leaves are encrusted with iron dust. They leap to a magnet like pins.

"Our trees are dying," says Gonzalez. "The leaves are choking. The dust withers the flowers. Some years they bear no fruit. In other years, the olives are so badly stained that we cannot sell them." Many farmers, he says, are being forced to uproot their trees, which are sold for firewood.

His warehouse used to hold up to 100 tonnes of olives. It is almost empty now. In a neighbouring hacienda, Julio Cereceda, the foreman, says: "The owners employ us out of charity. The olive trees are barren."

Yet several years passed before farmers linked their dwindling harvests to the smoking chimneys of the pellet plant. "The company denied it was emitting iron dust," says Gonzalez. "It said the iron came from the sand-dunes." Lacking scientific evidence to prove the contrary, the farmers lost a lawsuit brought against Compania Minera del Pacifico (CMP), the owner of the plant, in 1986.

The dispute resurfaced with Chile's return to democracy, which brought a novel concern for the environment. In March 1990, the Mining Research Council began monitoring emissions at the plant. It was belching more than 37 tonnes of particulate matter, mainly iron dust, a day.

If the plant were located in the US, it would have been breaching Environmental Protection Agency norms more than 50 times over. But the dearth of environmental legislation in Chile allowed CMP to claim that it was not polluting the valley.

The new political leaders also had to deal with CMP's economic clout. The company is not coy about its importance as the main employer and benefactor in an impoverished province on the fringes of the Atacama desert. "The Huasco valley lives off CMP," Luis Villagran, CMP's public relations officer, explains. "We pay $24m (£12.5m) a year in wages. We are everywhere, donating ambulances, fire engines, building schools and sports grounds."

But when Carlos Gonzalez, the new regional governor, first approached CMP about the need to curb emissions, he says the company threatened to close down the plant. Meanwhile, Gregorio Gonzalez was preparing to aim his slingshot at the Goliath of his valley. New evidence, from a study conducted by the Agriculture Research Council, proved that CMP's iron emissions were the same substances that fell on the olive groves.

The Huasco farmers filed an injunction against CMP's polluting activities. An appeals court last June found CMP guilty of "polluting the environment . . . inhibiting the normal development of plant life, and the main farming activity, olive growing, in particular." It ruled that CMP's emissions violated the olive growers' constitutional right to live in a pollution-free environment. It declared the emissions illegal.

CMP, and its parent company, Compania de Aceros del Pacifico (Pacific Steel Company), in which Schmidheiny owns a 30 per cent stake, appealed against the ruling before the Chilean Supreme Court. CMP argued it had curbed emissions since monitoring began two years ago. The company also claimed to have studies showing that poor farming techniques were responsible for the shrinking olive harvests.

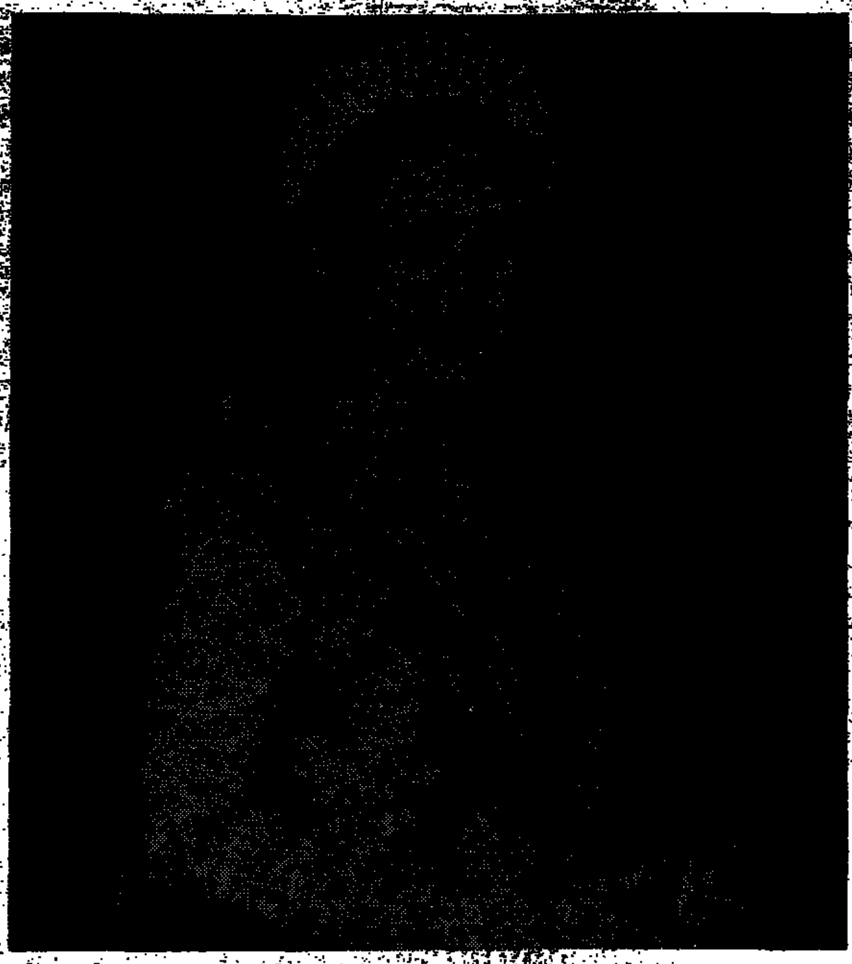
Last week, the Supreme Court ruled in favour of the olive growers. CMP will be forced to curb its emissions drastically in line with new regulations that come into effect in October. "It is absurd," says Fernando Dougnac, the farmers' lawyer, "that we had to fight all the way to the Supreme Court to prove that companies in Chile do not always practise what they preach."

The ruling also sets a precedent for other agricultural communities who feel threatened by the proximity of mining smelters and refineries. "We believe in sustainable development," says Erick Weber, CMP's research and development vice-president. "But the farmers are not interested in technical solutions, they are after monetary compensation."

The farmers are indeed preparing a civil action for damages of $35m against CMP. They are eager to test one of Schmidheiny's maxims, often mouthed by his executives in Chile: "The polluter pays".

ADVERTISEMENT

Thailand: A Nation Rejoices



H.M. Queen Sirikit :
An auspicious 60th birthday.

The year of 1992 in Thailand has taken on an especial meaning for the people of Thailand as they celebrate the 60th birthday of Her Majesty Queen Sirikit.

The Thai calendar is divided into cycles of 12 years each. The completion of the fifth cycle is considered a most auspicious occasion, and the nation has thrown itself wholeheartedly into marking the event.

Across the country communities have staged a variety of shows, dinners, dances and festivals to share the birthday, and also to raise money for the many charities which the Queen graciously supports.

Queen Sirikit's romance with the country, and with the monarchy, goes back to the Spring of 1948 where the meeting of a young couple proved to be the opening chapter of a story that has captured the hearts of millions of people over the past four decades

Twenty-one year old Crown Prince Bhumipol Adulyadej was enjoying a break from his engineering studies in Lausanne, Switzerland

Seventeen-year-old Mom Rajawongse Sirikit Kitiyakara, meanwhile , was studying advanced music and languages, subjects which she began two years earlier in London where her diplomat father was stationed.

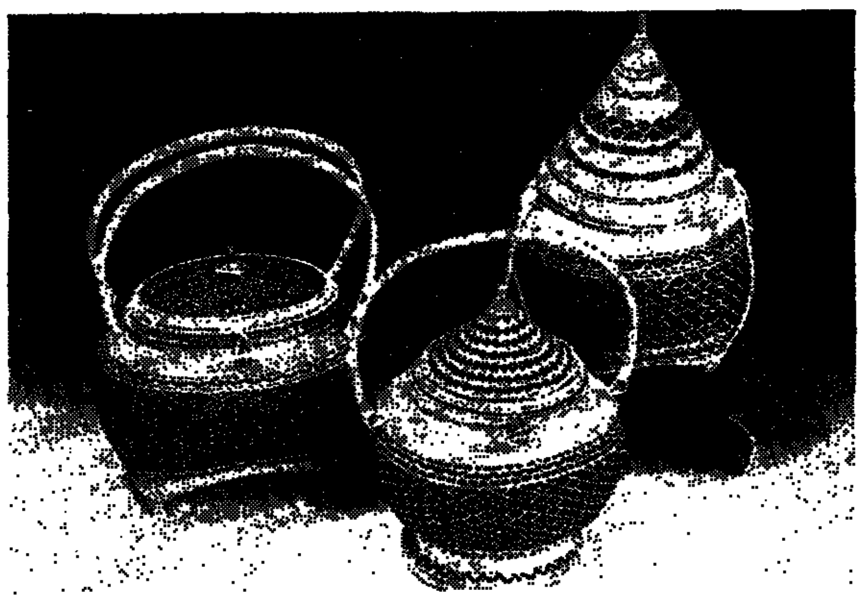
The couple got on rather well from the beginning, with their common interests, notably music, and close family links, helping foster the relationship..

Later that year the Crown prince was involved in a serious motorcar accident in Switzerland, and the young M.R. Sirikit and her mother travelled to be at his bedside. During his long convalescence the pair grew even closer, and on July 19, 1949, their engagement was announced.

M.R.Sirikit Kitiyakara's father, HRH Prince Chandaburi Suranath, who was a descendant of King Chulalongkorn, was posted to London with the diplomatic corps after World War II, and his daughter joined him there, and later in Paris, where her destiny was to be so dramatically changed.

The year 1950 will always be remembered in Thailand for the Royal marriage ceremony which was performed by H.M. Queen Sawang Wattana, Royal Grandmother of the King, and local reports cited thousands of people flooding the capital in spontaneous festivity; "A grand and memorable occasion for the whole nation."

All agreed that the new Queen - "radiantly beautiful" - was everything a nation could want and more.



Five days after the marriage, the Coronation of the King, now officially Rama IX, took place, while at a parallel ceremony, Mom Rachawongse Sirikit was becoming Queen.

Forty-two years after the hectic days of 1950, Thailand prepares once again to stage a "grand and memorable occasion" on August 12, both for the Queen's birthday, and for national Mothers' Day, which has been proclaimed in Her Majesty's honor as the Symbol of Motherhood.

In an interview some years ago Her Majesty Queen Sirikit was asked about the extent to which His majesty the king has encouraged her to devote so much of her time to improving the welfare of her people. Smiling softly, the Queen responded ;" He didn't encourage me at all - he ordered me. He said he would look after the land and I must look after the families". Queen Sirikit speaking of her husband the King "It changed my life."

Indeed, Her Majesty the Queen's life was changed, but in the process she has also changed thousands of lives for the better through her steadfast commitment to welfare programmes.

Her Majesty's untiring efforts have won her the recognition not only of the people of Thailand but the world community, which has honored her with a number of prestigious awards.

One of the hallmarks of their majesties has been their untiring tours across the length and breadth of Thailand.

The journeys began during the early days of the reign, and continue to to this day with the Royal couple sometimes spending as much as 8 months of the year working from their four Royal residences outside Bangkok.

In 1976 the Queen set up the Foundation for Promotion of Supplementary Occupations and Related Techniques (SUPPORT) with an initial and personal donation of 3,500,000 Baht and private donations.

Its main objectives are to train low-income farming families to earn extra money through folk arts and craft, and it now has more than 35 centers around the country, involving 200 villages and 9,000 artisans employed in various projects.

"Liberation" Thai-Style:
Women In Business

Thailand has always found room for talent. Never colonized it has no latent fears of foreigners and unlike many Asian countries it has welcomed capable women, without discrimination.

That much is the stuff of every analysis of Thailand's business and investment climate. What is less well-known is the role women historically have played and continue to play in the country's social and economic development.

Following the lead of Her Majesty Queen Sirikit, women are active in banking and business as well as academia and government. Many have been recognized for their contributions to society with the royally-bestowed title of Khunying or Lady.

The roll-call is long. Here, to commemorate Women's Year in Thailand in honor of Her Royal Majesty's 60th birthday, is an introduction to some of these dynamic women.

Khunying Niramol Suriyasat, vice president, Toshiba Thailand, has been an outstanding leader since her student days at Wellesley College and the Massachusetts Institute of Technology, where she won a master's degree on a fellowship in 1956.

Home to Thailand and career as a university lecturer, she joined Shell Thailand as chief chemist before assuming the CEO post at Toshiba in 1969. Married and mother of four, Khunying Niramol has been active in Thailand's cultural and social activities. The future, she believes, lies in Thailand, because the country is ready for expansion and "we know how to manage our own resources"

Khunying Chanut Piyaoui, chairman and managing director of the Dusit Hotels & Resorts group, has the distinction of being the country's "first and foremost" lady hotelier. It was on a visit to the United States where she went to pursue her education, that "I first learned about hotels or experienced them, " she recalls. Back to Thailand in the late 1940s, she began to realize her dream - the development of the Thai hotel and tourism industry.

Today, 22 years after her Dusit Thani hotel, a Bangkok landmark, opened in February, 1970, her group owns and operates six hotels in Thailand. It also holds management contracts for twelve more, including four in Indonesia and the Melrose Hotel in Dallas, Texas.

For Khunying Chanut, mother and grandmother, who has played an important part in the development of the stock exchange - the Dusit Thani was the first hotel to be publicly listed - there is much more on her plate. "I want, " she says, "to do more for my country, the Thai people, my children and *those who will come after me."*

Khunying Phornthip Narongdej, CEO of the Siam Motor group, is a youthful, attractive mother of three, whose interests include musical education. She also has the business acumen, foresight and drive that make her the envy of her associates. Taking over as the group's chief executive on her father's retirement, she has expanded the company's original activities, adding export assembly of motorbikes, trucks and automobiles and diversifying into new business lines.

She now has a more ambitious projects in the works. Following an agreement with Japan's Nissan Motor Corporation, a new Made in Thailand car - not merely assembled - will be manufactured for export to target markets in Southeast Asia as well as Australia and New Zealand. Says Khunying Phornthip, "I am pleased that the new Made in Thailand Nissan car series is testimony to our Japanese partner's continued confidence in investing in Thailand."

"Thailand has moved in the right direction, geared to export promotion, by diversifying manufacturing, controlling and stabilizing the economy. "

Charoenchit Ngamtippan, vice president and country manager for the Bank of New York, has represented U.S. banking interests in Thailand for more than nineteen years and is considered one of the youngest first ladies in finance - a field traditionally dominated by men.

Convinced that Thailand will be Asia's next offshore banking center, she has been carefully preparing the groundwork. "The monetary authorities are committed to making Thailand the region's financial center," she notes. "They will deregulate further and allow more banks in, along with encouraging a freer movement of funds.

"In the last couple of years," Charoenchit observes, " Thailand has moved in the right direction, geared to export promotion, by diversifying manufacturing, controlling and stabilizing the economy. We have done our homework and prepared the ground for Thailand's development as a money center."

A scholarship graduate from the United States, earning masters degrees in economics as well as agro-economics, Charoenchit is a mother of two. After honing her skills with the Board of Investment, she entered the private banking sector in 1973.

She is convinced that the "genius" of Thailand's financial sector, lies in the responsible authorities knowing just when the time is ripe for liberalization. "They started deregulating in the early 1990s, when the finance and banking sector was ready for it," she points out.

"Now they will follow through and make Thailand an offshore banking center."

H.M. King Bhumibol:
Thailand's Populist Monarch

King Bhumibol, the Ninth Rama of the Chakri Dynasty, is a populist monarch. He cannot interfere in government, yet he would win by a landslide any political leadership campaign.

If he ran for public office, his abbreviated biography would read:

Born in the United States in 1927 when father was medical student at Harvard University prior to service as Thai public health doctor. Working among lepers in northern Thailand, father died when Bhumibol still infant. Widowed mother a Thai nurse: now in her nineties; still active in rural projects occupying half her adult life.

Bhumibol was called to be King at 18 upon tragic death of 20-year old brother in 1946. Gave up European studies in engineering to master political science and the law. He met Queen Sirikit when she was music student in Paris. In first impromptu speech as student King, he surprised all by the mature way in which he agreed to serve the country on condition he had whole-hearted and genuine support.

He vowed he would be guided by goodness and integrity. The country was then going through tough times following World War II. His moral force steered the Kingdom through tougher times that followed.

He has raised one son and three daughters in the family tradition of public service. He now has a formidable moral authority and reputation for informed objectivity, so that he alone can bring together parties otherwise in violent confrontation.

In a predominantly Buddhist country, he is fiercely protective of all religions. Like his wife and grown up children, he may be found kneeling among countryfolk who regard their King as consultant for "small revolutions," now numbering hundreds of projects, deliberately low-key, funded through royal foundations.

He resides in a "palace" that is really a miniature of what he wants the whole country to become: a kind of farm bristling with research labs and dotted with schools and health clinics for public.

His assets include familiarity with new developments in industrialized nations plus respect for ingenuity of Asian farmers. He is handy with hi-tech weapons but believes lasting progress comes through nonviolent compromise between rivals and openness to constructive new ideas.

That would be a Westerner's brief analysis of his qualifications. The Thai equivalent of political scrutiny is to measure the man by The Ten Rules of Kingmanship. The job requirements, down through the centuries, changed with changing challenges.

In today's complex society, Bhumibol needs a saintly patience to fulfill a role defined by King George VI of England: "Monarchy exists to deny absolute power to anyone else."

George VI was talking of how the United Kingdom survived after dictators conquered Europe, reflecting ancient Thai tradition that the King shares the dangers and hardships to win national unity and should gently counsel others to avoid extremes.

"If people don't like the way I do it," says Rama IX, **"I'm out of a job."** As King, Bhumibol has too much work to do at home, and almost never went abroad after the 1960s. The wars of Indochina made it necessary to visit foreign capitals in the tradition of early kings who kept the country free by balancing between external forces.

National unity is achieved through the Theravada Buddhist faith and the monarchy's role in maintaining compromise and harmony.

"We Thais may seem happy-go-lucky because we are hospitable to strangers and to new ideas. Buddhists never had a holy war, but it doesn't mean we never take a stand.

"We are stronger than others expect; strong enough to be flexible," says Bhumibol. He adds, **"Monarchy has always been on the move in this country."** This also means physically on the move, eight months of the year, between working bases strategically located far from cities, where his rural development work is rarely seen by strangers.

Before "greening the Earth" became fashionable, both King and Queen were fighting, within limits imposed by the constitution, to save wildlife and forests. Also little publicized is something that delights the taxpayers: the monarchy sustains itself and these reforms through ethical business enterprises.

King Bhumibol The Ninth Rama performs as keel and rudder to balance the ship of state in changing winds and currents.

Advanced industries and the economic miracle of the 1980s set a new course, but he emphasizes:"The nation's soul resides in the villages." Symbols and ceremonials of the past have been revived to strengthen the Thai spirit.

He quotes Sir Isaiah Berlin, whose humane skepticism and elegantly expressed erudition set him apart from fashionable scholarship: **"Each society's soul is to be found in its arts, religion and laws."**

By reminding all to nurture the national soul, he ensures Thailand's stability. He gives the Kingdom something that is lacking wherever there is no equivalent moral force. He is a unifying presence: a sort of Grand Umpire who brings together opposing forces in any crisis of power because he has built up, bit by bit during more than four decades, universal trust.

Th

Stil

Vying For The World Exports:
Thailand's Export Promotion Drive

Walk through a supermarket in Abu Dhabi, packaged foods from Thailand can be found on almost every aisle. Pick up garments in department stores across the U.S., again the made in Thailand label.Examine branded electronic products in Japan and Europe, at the least, some of the components will come from Thailand.

Thailand's solid reputation began with an outstanding performance as an agricultural producer. Its exports have maintained one of the world's highest growth rates over the past four years, averaging almost 25%. Exports in 1991 totalled more than US$ 28 billion making Thailand the world's 25th largest exporter. While export growth should slow during 1992 in response to global economic conditions, projections still see a respectable increase to roughly $ 34 billion.

The key to Thailand's export growth has been the country's aggressive policy to diversify its export base over the past decade. Farm shipments have dropped from 68% of total exports to 17%. Today Thailand sells abroad more textiles, computers and components, integrated circuits and jewelry than rice, its traditional export mainstay.

The Director- General of the Department of Export Promotion, Oranuj Osatananda, is confident about the continued strong growth of exports despite the negative image left by the May tragedy. The reason is simple: production was not affected and exporters have been able to meet their delivery deadlines while maintaining quality. "We have not been affected directly by the May incident," Oranuj says,"We are affected only by the competitiveness of the product itself."

However, while basically confident, Oranuj also warns, "At this point we cannot be complacent. We are at the edge. There is more world competition. We have to adjust, improve our products without adding to the cost. This involves the use of more hi-tech equipment in production so that we can increase quality even more."

It is here that the role of the DEP grows in importance. It is the Thai government's designated export promotion agency, under the Ministry of Commerce and, thus, is responsible for advising the government on all matters relating to promoting export efficiency. Overseas, the DEP operates through its own network, through Thai Trade Centers in Europe, America, Australia, Japan and Hong Kong as well as through Commercial Counsellors' offices.

Entrepreneurship :
The key To Economic Strength

As in every agrarian society, in the beginning there were landlords and peasants. These were leavened in Thailand's case during the late 19th century by an influx of Chinese, who gradually assimilated, becoming the intermediaries who facilitated the country's development.

Spurred on by a private sector that was quick to see opportunities and seize upon them, Thailand's economy blossomed and, in doing so, spawned a succession of sprawling conglomerates. Most shared the same dynastic beginnings - a strong, self-made entrepreneurial leader, whose skill and will-power drove the group to the top.

Corporate Dynasts

These business dynasties prospered. In 1970, thirty-six were listed as Thailand's most powerful commercial groups, according to Wall Street economist and project analyst Peter Beal. They were to remain, as Beal put it, "unique and supreme", until the 1980's when a new element came on the scene - the returned overseas-educated technocrats and managers, many of whom were graduates of the top universities and technical schools in the United States and Europe.

Parallel to the rise of these Sino-Thai dynasties was the founding at the royal initiative of the Siam Commercial bank and the Siam cement Group. Both today are credited as being leaders in management technology, integrity and profitability. A training ground for technocrats and entrepreneurs, along with some of the more efficient state enterprises - such as the Electricity Generating Authority of Thailand and the Petroleum Authority of Thailand - they have helped build a pool of managerial talent.

The '80's Generation

In the 1980's, however, the face of entrepreneurship in Thailand began to change dramatically. Economic reform under Prime Minister Prem Tinsulanonda brought about not only growth, but a dramatic opening of business opportunity as Thailand began its steady climb up the economic ladder. This proved irresistible for overseas-educated young Thai business men and business women.

Here are just two examples...

Korn Chatikavanij, 28, Managing Director of Jardine Fleming Thanakom Securities, has just about everything going for him. Educated at Winchester College and Oxford, with two and half years at S.G.Warburg Merchant Bank in London, Korn says about his return to Thailand, "Right place, right time, in one of the most exciting environments in the world" The Thai Stock Exchange he calls, "a big plate for steak" and Thai- land,"the country of the future."

Lt.Col. Thaksin Shinawatra, PH.D., 40, has been called "Thailand's telecommunications czar" and for good reason. In the five years since he decided to give up his career in the planning division at the Royal Thai Police, the value of his work philosophy, "Don't limit yourself in any one direction," has been demonstrated - to Thailand's benefit as well as his own. After earning a doctorate at Texas' Sam Houston University, he returned to Thailand convinced that computers, telecommunications and satellites wrer the way for him to go. Within a few years, he had it all put together, creating the publicly - listed Shinawatra Group. Capitalized at $360 million it is active in computer leasing, mobile phones and pagers, the launch of Thailand's first two satellites and cable television.

Implication For Growth

The effervescence experienced in the private sector since 1987 has carried over into every sector of the economy. Private sector entrepreneurship has raised expectations, increased performance standards and helped people the governmental reforms that promise to launch Thailand's full-fledged economic take-off in the 1990s.

Self-serving, money-losing state enterprises and companies that no longer measure up are being phased out or revitalized. The future emphasis now is on pulling together and this challenge is being met successfully by astute well-managed public companies, such as the Siam Cement Group, and progressive financial institutions like the Siam Commercial Bank create it.

Confidence:
How Others View Us Today

There are many international investors in Thailand. These are the views of three: Monsanto, Citicorp and Unilever :

"Monsanto has a 40-year history of growth in Thailand driven largely by the strength of our local Thai organization. Our positive experience there has convinced us of the desirability of making a major investment in performance plastics in Thailand to serve our customers in the Southern Asia/China region.

"Despite recent political events, Monsanto remains confident that the resiliency of the Thai people, the favourable Thai climate for foreign investments, our strong local partner and Thailand's central location in Southeast Asia will prove this investment to be a prudent and productive decision."

Earle H. Harbison, Jr.
President and Chief Operating Officer Monsanto Company

"Because of sound fundamentals, the outlook for Thailand's economy over the near and long term remains good. Continued steady growth in the trading, manufacturing and service sectors, coupled with the additional stimuli provided by infrastructure investments and increased consumer spending by a growing middle class, should produce annual real GDP growth in the 7% to 9% range over the next five years. Such growth will facilitate continued economic diversity and improved resilience. The deregulation, liberalization, and market-opening initiatives undertaken in recent years have helped improve what was already a good business and investment climate. These measures further serve to improve Thailand's competitiveness and to provide a basis for future economic growth."

John S. Reed - Chairman of Citicorp

" We have been manufacturing in Thailand for 60 years now. From our perspective, we have full confidence that the Thai society and economy can overcome the May political setbacks very soon, and we are committed to our expansion in Thailand."

M.S. Perry - Chairman of Unilever PLC

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ADVERTISEMENT

Thailand: St[illegible] on track.

Economic Outlook:
Moving Up The Ladder

Thailand is set for an economic take-off in the 1990's that will ensure its role as the money, finance, manufacturing and technological resource hub of mainland Southeast Asia.

Between 1980 and 1989 real GDP growth averaged 7.3%, per capita GNP more than doubled, exports more than quadrupled, private investment increased more than six-fold and official reserves trebled.

Pacing this transformation was Thailand's entrepreneurially-driven private sector, which found both encouragement in the growth policies of the successive administrations of Prime Minister Prem Tinsulanonda and support from a well-established corps of overseas educated professional managers and technocrats, then successfully structuring the country's economic and social development.

Thailand was lucky when the 1985 Plaza Agreement brought a sharp revaluation of the Japanese Yen. This and the later revaluation of Taiwan's currency, led to a massive shift of light manufacturing, creating jobs and generating exports. Since 1985, investment from Japan and Taiwan alone totalled $4.1 billion, roughly 49.9% of Thailand's aggregate foreign investment.

Aggressive export promotion policies helped diversify markets and industrial exports were twice as large as agricultural - and a double-digit growth rate made Thailand Asia's fastest growing economy.

"We made a concrete beginning of the process of modernizing ourselves to be competitive in the international marketplace."

The first government of Prime Minister Anand Panyarachun - called Anand I - set out to ensure that Thailand would continue to climb the ladder of economic development. Its achievement, according to Anand that: "We made a concrete beginning of the process of modernizing ourselves to be competitive in the international marketplace.."

In the 90's Thailand emerged as "the leading country in Southeast Asia", to quote William H. Overholt, Banker's Trust's HongKong-based master Asian strategist.

H.E.. The Prime Minister:
A Special Interview

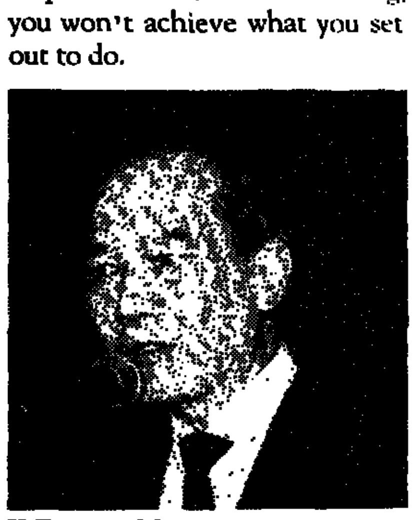
A former diplomat and businessman, Cambridge-educated Anand Panyarachun has been called "Thailand's reluctant trustee". Twice he has been asked to head governments after extraordinary events. Twice he has accepted - first after a military coup in 1991 and again after the May tragedy. Although he disdains the image of being a white knight, both times he has surprised the country and disarmed the critics with his sense of vision, his determination and his patriotism.

His present government, called Anand II in the Thai way, has as its central mission the holding of free and fair elections on September 13, 1992, and is expected to resign once a new government is formed. Here is an edited summary of an interview conducted in July.

The Aftermath of Tragedy

The most immediate consequence of the events in May was not the negative image projected abroad. As far as the Thai people were concerned there was a deep sense of disillusionment, frustration and hopelessness. What saved the day was the King's "intervention" which brought together the two leaders of the opposing forces, right in the middle of the crisis and in full view of the entire nation. The physical violence virtually stopped and there was a universal sense of relief. That was the beginning of a very long mending process.

When I was appointed Prime Minister, there was another period of general relief. I'm a beneficiary of that and I set my mind to try to restore first of all a sense of self-confidence in the Thai people, because if the Thai people do not believe in themselves and in the future of Thailand, it doesn't matter how many millions you spend on public relations or advertising, you won't achieve what you set out to do.



H.E. Prime Minister Anand Panyarachun

Democratic Development

I hold the belief that democracy is a bad system, but there is none better, as Winston Churchill said. I believe in the fundamental right of people to choose their own representatives. My personal interest is to see that right is preserved and is exercised by the voters. I have no way and I have no wish to tell them who to vote for.

The September Election

I am quite sure the results of the forthcoming election will be better than the last one. How much better I do not know. We still have time to conduct a democratic campaign. The events in May have become a catalyst. Definitely political awareness and consciousness have been raised. The momentum is there and more and more people will begin to appreciate the difference between "good" elected representatives and "not so good."

This year you see a radical change in the attitudes of the people. More and more people are prepared to get involved in the political process.

The Next Parliament

The majority of the old faces will be returned. But in the different social and political environment that has been brought about by the events of May and by the accumulated changes that have taken place in our society in the last ten years, even the old faces will have to conduct themselves better in the next Parliament.

Political Stability in Thailand

When you talk about political stability - and this a belief I have held for a number of years - those who know Thailand also know that in the past 40 years we might have had 15 or 17 coups and 16 or 17 constitutions, and yet Thailand was not much affected by these changes.

The type of changes which occurred were mainly cosmetic - changes of individuals, But there was hardly any interruption of a market direction in our economic and financial policies.

Moreover, the bureaucracy was there in times of crisis to carry the flag. Politicians and military figures came and went, but they were not material to what was a rather stable process of gradual economic improvement, a gradual orientation of our economy to international markets and a gradual orientation to more political freedom.

"In total we will have had 18 months of formulation, enactment and consolidation of policies."

Anand I and Policy Stability

In total we will have had 18 months of formulation, enactment and consolidation of policies and measures. I do not see how anyone is going to reverse that, even if he wanted to.

Why? Because if you look at all our political parties there are no major differences in their economic orientation. None of our political parties has come and said that if they were in power they would adopt policies different from what has been going on before.

We made a concrete beginning of the process of modernizing our economy to prepare ourselves to be competitive in the international marketplace. We convinced our people of the need and desirability of integrating our economy with global trade.

Business Analysis:
The End of Complacency

The events of May shattered many illusions - Thai as well as foreign. Inevitably reaction will set in. As tourism receipts wilt, and foreign investment continues the decline begun a few years back and real growth rates slow, contrarian thought will reign supreme for a brief moment and Thailand - once touted as the next newly industrialized economy (NIE) - will become the also-ran of the '90s.

Balance will return - almost certainly by '94, if not before. By then bargain-hungry tourists will be revelling in one of the world's premier destinations. Foreign investment flows - which have as much to do with home market economics as Thailand's attractiveness - should again be increasing.

What will be different, one hopes, is that complacency will have been driven from the Thai marketplace - complacency both for foreign business and especially the Thai people, who tended to take for granted their cycle of coup and politics as usual.

A Hurdle To Clear

You cannot have massive, rapid social and economic change without some political tension. Every successful economy in East and Southeast Asia, consequently, has a major political hurdle to overcome in the next ten to fifteen years. The confrontation in May between the armed forces and largely middle class demonstrators was a signal which should not be ignored.

In that sense, Thailand has been fortunate, despite the tragic loss of life in May, that it has an opportunity to clear its hurdle early - when the task is comparatively easy.

The stage has been set by the two Anand governments. Their reforms have significantly dismantled the remaining structure of state monopolies and state enterprises, long political prizes in the tussle between civilian and military regimes. As one sage Thai observes, the freer the economy, the freer the political system can be.

Thailand's success, of course, may not at first be easily discernible. Thai politics tend to seem messy to outsiders, according to Bankers Trust's Asian expert William H. Overholt - messy because they are competitive and diverse. Yet they are also efficient.

The Base Of Stability

Thailand is inherently politically stable. More than a decade ago the then U.S. Ambassador, Morton Ambramo- witz, called it the most stable country in Southeast Asia - and that logic remains true today.

The King, the monarchy, the bureaucracy, these are the country's traditional anchors. Politicians and generals might come and go, coalitions form and reform, but the fundamental stability of the political system has remained and with it policy continuity.

In the 1980s the emergence of a broad-based private sector added another element of stability. Prime Minister Prem Tinsulanonda, a military man by background, did not understand business and opened a dialogue with the private sector. Fulfilling the dream of a Thailand, Inc., this dialogue grew. The government proved so responsive that by the end of Prem's tenure, business leaders say, they no longer had any specific complaints.

The dialogue continues. It has been institutionalized and extended to the provincial level. Beyond that, however, businessmen are more inclined than ever to take the next step and enter the political arena.

"We have not yet really begun to enjoy the benefits of the Anand I reforms,"

The end of complacency is just as important in the economy. Thailand will graduate to be a NIE in the '90s. But NIE status now is a moving target, defined differently in each market. Thailand's experience will be different from Korea or Taiwan, Hong Kong or Singapore. It must move much faster to identify niches of comparative advantage as southern China - and later is ASEAN neighbors Malaysia and Indonesia - follow the same track

The work of the two Anand governments, however, gives Thailand an enormous advantage. Economically, the country has cleared the desks far more effectively than many realize.

"We have not yet really begun to enjoy the benefits of the Anand I reforms," remarks Siam Cement Vice President Pramon Sutivong: "the cost of doing business in Thailand is going to be much less. Setting up a factory is now very easy."

"Setting up a factory is now very easy."

This special supplement has been made possible by the generous co-operation of the following concerns:

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3 Get-Away Islands:
Exclusive Executive Vacations.

Thailand's exotic charms have been publicized and explored by visitors from around the world for many years - and especially since the highly successful 1987 Visit Thailand Year.

Stories are legendary of desolate beaches, blindingly beautiful blue seas and unlimited food and fruit, as well as the charm and grace of the Thai people.

Traditionally, tourists have roamed the country on their own or relied on tour groups to take care of their needs as they traversed the the Kingdom's roads, skies and railways.

More recently, in line with international trends, notably for top level excutives, resort hotels have been built to provide all-encompassing holidays for guests who have plenty of money but limited time - who want to enjoy delights of a foreign country, but want to avoid the trouble of travel.

Although there are now a number of resorts spread across Thailand, it is the islands which offer the perfect romantic escape for the harried executive.

Here are three get-aways, each with its own attractions, all guaranteeing pristine tropical waters and abundant sunshine.

In a Class By Itself

One of the most spectucular resorts in Thailand is Amanpuri, located on Thailand's largest Island, Phuket, 800 kilometers south of Bangkok in the Andaman sea.

Travellers will probably not read about this resort in the average budget holiday guide. Amanpuri has been pitched at the top end of the market - prices start at more than US$ 1000, plus, plus. But for those who can afford, it is well worth the money.

The resort is spread majestically around its own private bay and offers a self-contained holiday, complete with water sports, power boats, truly superb Thai and international cuisine - and most important for the guest, the utmost privacy.

Its guest list includes many of the rich and famous - politicians, film stars, buisness legends, and royalty. Most recently Britain's troubled Duchess of York sought refuge amongst the gently swaying palm trees and the black-tiled swimming pool that forms the central attraction of the complex.

The Freedom of Koh Samui

Moving across the Isthmus of Kra, another of Thailand's more famous islands offers a special retreat of its own on the Gulf of Thailand.

Historically, Koh Samui has been the domain of the budget tourist in pursuit of the pure and inexpensive. But the last three years have seen the opening of an airport and the proliferation of numerous hotels and bungalows.

In July the Dusit Santiburi opened its expansive doors to guests in search of sun, sand, sea and unashamed luxury. Like Amanpuri, the complex offers a complete range of facilities for its guests, who need never step beyond the perimeter fence to indulge themselves in comfort and relaxation.

However, the resort, with its 77 villas and suites, is less strict on privacy and price - it is in the US$ 200 range. Thus the clientele is more diverse, which for some makes for a more interesting holiday.

Santiburi is spread across 23 acres bordering the Mae Nam bay and combines a fine blend of traditional Thai and modern convenience.

Isolation and Adventure

Further up the Gulf of Thailand, the country's second largest island after Phuket, Koh Chang, recently emerged from the shadows of political upheaval in neighboring Cambodia.

Most of the island offers true isolation and adventure, as it is by many years one of the least developed destinations in the country. However, since the political settlement in Cambodia, whose stark mountains can be seen in the distance, Koh Chang, meaning elephant island, is being put on the tourism map.

The Koh Chang Resort is one of the results of this, and it takes the island - or a small part of it - into the 5-star bracket. Its 53 rooms start at less than US$ 100 a night and are as comfortable and fully-equipped as one could want. The beaches also stretch endlessly, often marked only by the tiny trails of crabs and sparrows going about their business.

As important, the resort provides its own boat transport. The alternative, and one of the reasons why the island has remained unexplored, is a lengthy trip on a small local fishing boat.

But then, that could just as well be part of the fun.

Promoting Industrial Partnership : BUILD

Productive, long-term relationships between partners require effort, understanding, and shared goals. And it doesn't hurt to have good timing as well as a network of support to help get through the rough patches.

In recent years, the progressive deepening of Thailand's industrial structure has created a fertile environment for putting together profitable marriages between large industries and local suppliers in Thailand. The well-attended launching of the Thai Board of Investment Unit for Industrial Linkage Development (BUILD) initiative was evidence of the degree of interest on both sides of seeing a market driven backward linkage program succeed.

But getting together for mutual profit has been easier said than done until now; besides quality and punctuality problems linked to a lack of experience on the part of Thai manufacturing firms, there has been no trusted third party to make introductions and to construct a network of information on products, parts, and components for buyers, sellers, and interested government agencies.

The BUILD program was established to help overcome these obstacle and to provide a range of information and services for both suppliers and export-oriented industries. Further, it will direct small-to-medium Thai companies toward sources of the capital assistance, technical assistance, technical assistance, and market assistance they need to compete successfully for production contracts - and then to fulfill them according to the buyers' specifications.

Having taken on the crucial role of matchmaker, the BOI BUILD Unit is prepared to see the match through to a profitable conclusion. By analyzing needs and using a comprehensive database of up-to-date informations, BUILD officers will identify qualified facilitators within the Ministry of Industry, other government agencies, and the private sector to ensure the striking of a mutually beneficial deal in BUILD's initial pilot projects. It was found that once an appropriate match had been reached, the shared goal of mutual profit usually provided both sides with the motivation to work through technical and other difficulties.

Thai industry has reached a point of sophistication where it is ready to push toward to the next level of production efficiency. With the support of BUILD, it will reduce warehousing costs. Transfers of technology and management know how will boost both upstream and downstream enterprises. create employment, stimulate foreign direct investment, and strengthen the Thai economy.

The Minebea Group is one of the world's largest producers of miniature ball-bearings and other electronic parts and components. Before participating in a BUILD pilot project, its executive decision makers were unaware of the production potential of Thai companies. BUILD officers made introductions and assisted in the early stages of getting Minebea together with several small-to-medium Thai companies.

From a cautious beginning of ordering seven or eight simple plastic parts, Minebea stopped importing plastic injection parts for their factories and set up an extensive network with local factories as subcontractors. Minebea engineers worked closely with the Thai suppliers in providing the latest plastics technology, and supervised training and initial production. They explained all aspects of the process to local engineers and technicians and helped solve technical problems as they arose. Both sides of the marriage are more than happy with the new arrangements.

The prospect of a flourishing environment of small-to-medium sized industries feeding Thai and foreign final product producers is BUILD's goal. The ingredients are here, the support is in place: the time is right to begin building partnerships.

The Environment:
The "Greening" of Thailand

The market for environmental products and services is set to develop in Thailand during the 1990s, creating a wide range of investment opportunities. Especially in industrial and municipal waste water treatment and the management of hazardous substances, a window of opportunity now exists for foreign product and service companies prepared to position themselves to take full advantage of growing demand.

In the next decade, the greatest investment opportunity potential will be in such fields as municipal solid waste water treatment, vehicle emission control equipments, clean technologies for the power industry, energy efficient products and services, pollution control, monitoring and laboratory services, environmental systems management training, specialist engineering consulting services and a range of niche markets.

BOI Targets Environmental Projects

Thailand's Board of Investment (BOI) unveiled criteria in April, 1992 identifying projects which promote "restoration and conservation of the environment" as worthy of special investment privileges. During the course of the coming year, detailed guidelines will be developed to specify and prioritize projects which fall into this new investment promotion category. The BOI also insists that all other new promoted projects install adequate environmental protection systems.

On the information services side, the BOI will shortly publish two investment opportunity studies: one focussing on waste management and pollution control and the other on energy efficient products.

A Growing Public Awareness

The pace at which the environmental market develops depends on a number of financial, legislative, institutional, and social considerations. However, Thailand is now committed to developing an integrated system of national environmental management and will back this with improved enforcement of pollution control legislation.

Royal Patronage Focuses on Environmental Concerns

Environmental protection is a priority of the King and Queen. Both through their travels around the country and projects carried out under royal patronage, they have considerably heightened public awareness in Thailand.

To honour Her Majesty the Queen on her 60th birthday, the Board of Investment is sponsoring a year-long project to plant 300,000 trees. This cooperative effort between the BOI and business involves nearly 3,000 firms which will add trees at factories, industrial parks, and offices nationwide. The project opens officially on August 7 at Navanakorn Industrial Estate in Pathum Thani, where 200 firms will begin making their workplaces more beautiful with the addition of Yellow Flame Boyant, Golden Shower, and Burmese Rosewood trees, Her Majesty's favourites.

Among environmental projects under the patronage of Her Majesty the Queen are the following: the Forest Conservation Project at Om-Koy District, Chiang Mai Province, which strives to conserve the environment so man and the forest can survive together; the Poo-Kiew National Conservation Park Project in Chaiyaphum Province which aims not only to conserve but also to return wildlife to its natural habitat; the Forest Loves the Water Project which covers the whole North-Eastern region and encourages local people to reforest their land; and the Village Development Project at Ban Mae-Tam District, Lampan Province which intends to replace the common practice of cutting down the forest with farming as a means of livelihood. Her Majesty the Queen has provided seeds and technology to help the people make this transition.

ARTS

Ballet

Romeo and Juliet

ENGLISH National Ballet is showing its production of Ashton's *Romeo and Juliet* on the South Bank this week. The staging does not, I feel, do any service to the choreographer's memory.

Created for the Royal Danish Ballet in 1955, the year before the Bolshoy Ballet revealed the power of its monumental *Romeo on a first visit to the* West, Ashton's version is domestic in scale, oddly lacking in passion. As presented by the Royal Danes, it had a sweetness and modesty which might, generously, be described as lyrical.

Piously revived in 1985 for ENB (20 years after it had dropped from the Copenhagen repertory) it looked something of a revenant – pale, and a bit tremulous. In this latest restoration to the Festival Hall's stage, it nowhere convinces us of the lovers' tragedy – or of Ashton's genius.

Ashton treated of love's many guises in his ballets. He could fix physical passion – remember *Marguerite and Armand* – as he could explore tenderest romance (in *Two Pigeons*), show us ecstasy (in *Daphnis*), love unwise (in *A Month in the Country*) or sorrowful (in *Ondine*).

In no work did he seem uncertain in portraying feeling – save in this *Romeo*, whose emotions appear constrained by the rules of an academic style. Conventional mime, conventional attitudes, even conventional steps, are like brakes upon the tragedy's momentum. And from a master of dramatic structure, the plotting of the story, the pacing of incident, lack Ashtonian subtlety.

What might justify the ballet for our time – but has been absent from any ENB performance I have seen since the company acquired the version – is lambent interpretation of the lovers.

There are moments when one thinks of what Fonteyn might have made of this Juliet (far better suited to her gifts than the MacMillan production), or how Antoinette Sibley and Anthony Dowell might have shaped the duets. But given with ENB's un-stellar casting, the piece has an even more papery look to it.

On Monday night Jose Manuel Carreno made a debut as Romeo, and dealt honourably enough with his task, albeit passion seemed in short supply. Rebecca Sewell was his Juliet, also a newcomer. Her reading was carefully prepared, innocent, in a role which can only come alive with a ballerina of more secure gifts.

It was Tim Almaas as Mercutio who showed the panache, and assurance of style, to give character any theatrical resonance. It is one of the best things that Almaas has done with the company. For the rest, the guests and townspeople scampered and wore attractive Peter Rice costumes with a will. But it was none of it much like *Romeo and Juliet*.

Clement Crisp

English National Ballet presents Ashton's Romeo and Juliet, Royal Festival Hall until August 15, (071) 928 8800.

Alastair Muir

Andy Serkis as the suicidal Dogboy and Stephen Delane as liberal writer Tony

Hush

THE Royal Court is going through an exciting period. Give it a few months more and we might see it has led a change in fashion, just as it did in the second half of the 1950s.

There are two recent big successes behind it. The Court pioneered Ariel Dorfman's *Death and the Maiden*, which continues to run in the West End and has won awards around the world. It also brought to London John Guare's *Six Degrees of Separation*, which likewise filled the house and moved elsewhere. Now it has come up with *Hush* by April de Angelis, the key to which lies in its title.

The common theme between Dorfman's play and *Six Degrees* is that they are about ambiguities, not certainties. No one in *Death and the Maiden* is quite sure what to do about the excesses of the past as a country moves from dictatorship to at least limited democracy. In *Six Degrees* no one is certain how to handle an imposter who happens to be black.

Hush acknowledges the dilemmas of trying to come to terms with a world without fixed sign-posts. It is one of the first pieces I have seen by a British playwright that admits how much the world has changed since the collapse of communism, and tries to look forward to an unknown future rather than back to the supposed certainties of the past. It has become permissible, even at the Royal Court, to poke fun at the once fashionable left.

As one of the characters says: "This is an amazing time, an amazing time to be living in. Huge empires are breaking up. It's like the end of the ice age. Watching the ice cracking. All warm blooded species rejoice!" Those lines are spoken by a writer, Tony, who was probably always more of a liberal than a Marxist. Yet that is where the novelty of the play lies. If socialism is dead, can liberalism survive? The piece is called *Hush* because the question requires a pause for thought and prolonged, quiet discussion. The theatre has not approached such a new frontier for a very long time.

Otherwise, the play is set in more conventional Royal Court terms. A 15-year-old girl is being (playfully) buried on a beach. The girl subsequently demands, and gets, sex, from a character called Dogboy. He then practically turns canine and, having killed his dog, kills himself. Another girl, temporarily employed as the house cleaner, wants to go off to Tibet to meet the monks, there not being enough sex on the beach at home.

Do not be put off by such old hat. Beneath the attempts to shock is a new voice trying to get out. Dogboy, played by Andy Serkis, is a reminder of the old question of what you do about people who don't quite fit: throw them out, try to be nice to them or send them to the social security? Tony, the liberal writer, played by Stephen Delane, finally gives him money and the social security telephone number. "Throw your weight about," he says. "Demand to see the manager." But it does not stop the suicide.

Another plus about the Royal Court nowadays: everything is remarkably well-staged and acted. *Hush*, directed by Max Stafford-Clark and designed by Sally Jacobs, makes the playing area seem much bigger than it is. The piece has its faults, notably the character Colin who simply wanders off, but it certainly points in new directions.

Malcolm Rutherford

Royal Court Theatre, (071) 730 1745

Television/Christopher Dunkley

Evenings in that every peasant aspires to

LIKE the child who asked "Mummy, what is that man for?" one is occasionally inclined to ask "What is television for?", especially after three weeks spent on an Umbrian hillside with BBC Radio's World Service as your sole source of news and entertainment. (Incidentally, what possessed the excellent World Service to add that ghastly jazzed-up version of the famous Lillibullero signature tune to the conventional one?)

Perhaps those of us who earn a living from writing about television should not admit this, but, to be honest, once you turn your back on the box you do not miss it. Deprive me of print and I suffer withdrawal symptoms. Left without a book I would probably behave as I did when I used to smoke: drive any distance for fresh supplies. But take away the television and I do not even notice its absence.

To return to London and the near hysteria concerning television is an odd experience. We are, of course, in the silly season, but can there be any justification for the hectares of newsprint devoted to the "crisis" of the latest BBC soap opera, *Eldorado*? Are there really people who regard this as being, in news terms, on a par with events in Bosnia, Russia and Somalia?

Like every other soap opera ever launched, *Eldorado* has not reached the top of the ratings in its opening weeks. It has had a particularly hard time because, in the middle of the summer when ratings are always at their lowest, the Olympic Games have been dominating the figures.

Yet you would have to be brave or foolish to bet folding money against the ability of BBC1 Controller Jonathan Powell and series originator Verity Lambert to pull it round within the next six months. No doubt there are faults to be ironed out: as with so much drama on television (and radio) these days, the dialogue is often difficult to hear, the male characters are uniformly contemptible, and so far there may be too few familiar points of reference to allow most viewers to identify.

But it could be argued that, far from the general quality being too low, it is actually a bit too high. Offer soap opera at the lowest of low levels and it is instantly recognisable and acceptable to dispiritingly large numbers of people. Go for something rather better, even though set in the same social milieu – *Minder*, say, another of Lambert's series – and it takes longer to build a dedicated audience willing to put in the slightly greater effort needed for the sake of slower, richer rewards in the end.

Gleeful detractors of *Eldorado* insist that soap must be set amid the working classes or – given the middle class tendencies of the hugely successful Australian soaps – amid tight-knit old fashioned families. But since you can achieve high ratings with serial drama as disparate as *Crossroads*, *Dynasty* and *The Bill*, such "rules" look like nonsense and there is surely no reason why *Eldorado* should not be the first smash hit sunny ex-pat Euro-soap. Provided they are given the time, my money is still on Powell and Lambert.

So is this what television is for? Having never been able to get hooked on any soap opera, hard as I have tried, my answer is no. In the first week of my return television's purpose seemed to be the relaying of hours and hours of Olympic coverage, something which I expected to enjoy greatly. However, having missed the big build-up and the opening days it was difficult to feel properly involved.

Desmond Lynam, seated somewhere in limbo, with intimations of hell in that perpetually flickering flame on the studio wall (dreadfully distracting during interviews) was professional enough. But if, on the first three occasions that you switch on, you happen to see two lots of so-called synchronised swimming and one lot of dancing horses you do begin to wonder whether this is any longer a serious sporting occasion.

The closing ceremony suggested it is not. We had a mime company, a display by mounted police, a Spanish ballet, big production numbers from Placido Domingo, Victoria de Los Angeles, Jose Carreras and one of Andrew Lloyd Webber's ex wives, many fireworks, speeches from committee men, a fire-dance with devils repeatedly described by David Coleman as "traditional", and an introduction to the peculiarly nasty mascot for the next games, presumably to give commercial promoters as much help as possible.

Finally, with proceedings running half an hour late, the athletes began to pour out of the stands and into the centre of the arena, whereupon an amplified voice repeatedly demanded that they leave the stage. The competitors were getting in the way of television's big event. It was all a far cry from that unforgettable closing ceremony at the Commonwealth Games a few years ago, when the athletes linked arms in a laughing, dancing parade which ended the occasion on an inspiring note of sporting camaraderie.

A massively unwieldy mixture of commercial promotion and overblown spectacle may indeed be what television is for nowadays. Had you switched on without knowing the occasion, you might have guessed it to be a special edition of a game show with royal guests, an international rock concert, or a charity telethon. To look at, they are indistinguishable.

Yet it would be dishonest to pretend that, even in midsummer, there is nothing worth watching. One of the things that television is really for, surely, is the programme which you flick to in the vague hope that it may hold your interest for a while only to find yourself utterly engrossed and incapable of switching off.

It occurred on Friday with successive programmes: BBC2's *Business Matters* which investigated Kenichi Ohmae's ideas about the global companies which we are now beginning to see develop, and the third in ITV's *Around Whicker's World*, an account of an amazing globe-circling package tour, costing £37,000 a head. Whicker, the total professional, not only conveyed the touchy atmosphere of the whole business but induced helpless laughter with his account of the film crew's disastrous midnight skinny-dipping. This was entertainment of a high order.

It happened again on Saturday with BBC2's *Video Diaries*, a fascinating, agonising account of 25-year-old Edel O'Brien's job as chaperone to a party of Irish teenage ballet dancers, all girls, who were among the first westerners to pay to attend a Russian ballet school. Their treatment, which appears to have been cynical and disgraceful, will have done nothing for Russia's market enterprise ambitions. However, the real interest of the programme was in the meeting between Irish and Russians, whether at the barre or in the food queues.

There was yet another example on Sunday in Channel 4's profile of *Chad Varah – The Good Samaritan*. It will win no prizes for revolutionary technique: we saw Varah speaking to camera, heard from some of those who were inspired by him to join in starting The Samaritans, and revisited some of the places where he has worked; nothing complicated, nothing difficult. It was simply the character of the man that made the programme, though it probably helps to bring that out if you are as experienced as producer Michael Darlow.

So what is television for? To a large extent, it seems to be for filling in the time which modern man has gained by no longer having to chop his firewood, carry his water or tend his animals. All over the world, apparently, peasant farmers aspire to the lifestyle of western industrial nations. There seems little hope of persuading them they are better off on the old green hillside than the old green sofa.

Alan Whicker prepares to spin the globe

London Promenade Concerts

James MacMillan

A SECOND time the Proms have played host to a James MacMillan premiere; and a second time the work has stirred its audience to roof-raising enthusiasm. Two years ago it was the orchestral work *The Confessions of Isobel Gowdie*, given by the BBC Scottish Symphony Orchestra; on Monday it was *Veni, veni Emmanuel*, the percussion concerto written for Evelyn Glennie and the Scottish Chamber Orchestra.

But whereas the 1990 Proms triumph took the larger musical world by surprise, Monday's was predicted (and preceded by a wave of publicity). MacMillan's appeal is cheering. The young Scot (b. 1959), a devout Catholic, nationalist and socialist, does not compromise his artistic goals, does not soften his idiom or his "committed" stance. Yet in *Isobel Gowdie* and now in *Veni, veni Emmanuel*, he seems to have found a musical voice that speaks vigorously, passionately and above all directly to a wide public.

The new concerto, about 25 minutes long, is a sure, confident, expertly engineered piece of soloist-versus-orchestra showmanship, which draws its peculiar dramatic energy from the brilliance – whirlwind and will-o'-the-wisp by turns – of Glennie's virtuosity.

Since the impact of the work is cunningly devised in visual as well as instrumental terms – MacMillan sends his soloist to different "stations" of the vast percussion armoury at key sections of the musical development – it is good that BBC2 was there to record the premiere for a forthcoming relay.

It is also an ambitious examination of religious faith in music, whose thematic substratum, an Advent plainsong hymn, rises, finally and with strong significance, to the musical surface. In the words of MacMillan's programme note, this process may be understood as a "musical exploration of the theology behind the Advent message".

The same note later hints that the exploration is also deeply concerned with the ideas of liberation theology. This suggestion finds confirmation in the form and sound-evolution of the piece, a "five-sectioned arch" in which successive phases of aggressive and then more inwardly-turned confrontation between sounds beaten and sounds blown or bowed achieve a final ringing reconciliation. (Literally: as the soloist climbs a ladder to strike key patterns on a set of tubular bells, the string players exchange their instruments for hand-bells.)

Veni, veni, Emmanuel arrests attention from the first downbeat. MacMillan's harmonic signalling and underpinning are lucid. His gestures are graphic in vividness, focused in purpose, powerful yet economical in musculature.

The directionality of the work – its modulation from fast to slow and back again – is achieved by means at once "popular" (rock-inherited contrasts of blunt phrases and fiercely bright, hard-edged textures) and carefully organised (rhythmic patterns of *Rite of Spring* complexity).

Messiaen, the 20th-century's great master of Catholic mysticism in music, seems to hover over the central, tonally ambiguous slow dialogue between musing marimba and quietly repetitive string chords.

For my taste, the ending flushes out an un-Messiaen-like quality that I sense running throughout the work – a cumulative preference for gesturally achieved "uplift" over discourse hard-worked and hard-won. Is "facile" too forceful an epithet to describe that quality? In any case, a second hearing, at the very least, is needed to confirm or deny the suspicion – and meanwhile, the memory of Glennie's scintillating performance is ample compensation.

The conductor Jukka-Pekka Saraste, should also be praised for the fighting-fit precision of the SCO ensemble. A brief, reproachful mention only of the Beethoven First Symphony that opened the concert, all brutal accents, driven phrases, avoidance of lyricism and wit; and a word of regret at the worn sound (at the top especially) of Kathleen Kuhlmann's once velvety mezzo in two Rossini arias.

Max Loppert

James MacMillan's concerto was commissioned with funds from Christian Salvesen PLC

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw 20.15 Gil Shaham, accompanied by Gerhard Oppitz, plays violin sonatas by Beethoven, Prokofiev and Brahms. Fri: Carlo Maria Giulini conducts the European Community Youth Orchestra in Beethoven's Ninth Symphony. Sun: Netherlands Youth Orchestra. Next Wed: Riccardo Chailly conducts the Royal Concertgebouw Orchestra (6718 345)

ATHENS

ATHENS FESTIVAL
Shakespeare's Otello can be seen tonight and tomorrow at Odeon of Herodes Atticus in a production by the National Theatre of Northern Greece. Mon and Tues: Sophocles' Electra. Performances begin at 21.00 (322 1459)

EPIDAURUS FESTIVAL
The annual festival of ancient drama in the 14,000-seat amphitheatre at Epidaurus has plays by Sophocles, Euripides, Aeschylus and Aristophanes on most weekends throughout the summer. This week's performances (Fri and Sat) feature Aristophanes' The Frogs, in a production by Art Theatre Karolos Koun. Next week: Euripides' Andromache. Performances begin at 21.00. Tickets are available daily at the Athens Festival box office (322 1459), or at the theatre of Epidaurus every Thurs, Fri and Sat (0753-22006)

BERLIN

● The Blue Angel: Ute Lemper and Eva Mattes alternate as Lola, the nightclub singer who captivates Professor Raat. Daily except Mon (Theater des Westens, West Berlin 3190 3193)
● 42nd Street: guest production of the popular musical. Daily except Mon till Aug 23 (Metropol Theater, East Berlin 208 2715).
● A Midsummer Night's Dream: open-air performances of Shakespeare's play, daily except Mon (Freilichtbühne an der Zitadelle, West Berlin 331 6920).
● The Deutsche Oper opens its new season on Aug 25 with La bohème and gives the world premiere of Aribert Reimann's new opera Das Schloss on Sep 2 (West Berlin 341 0249). The Berlin Staatskapelle gives an open-air concert at August Bebel Platz on Aug 22 (East Berlin 200 4762), and Wolfgang Rennert conducts Aida at Waldbühne on Aug 29 (Berlin Ticket 301 9999). Heinrich Schiff plays a new cello concerto by Marek Kopelent in a Staatskapelle concert at the Schauspielhaus on Aug 30 and 31, and the Lindenoper opens its 250th anniversary season on Sep 2 (East Berlin 200 4762). The Komische Oper season begins on Sep 4 (East Berlin 2292 555). The Berlin Festival runs from Sep 2 to 27 (West Berlin 254 89250)

BUDAPEST

● Hungarian State Symphony Orchestra, conducted by Uri Mayer, gives a concert tonight at Carmelite Court, Szinhaz u 1-3. There are also concerts by the Camerata Hungarica Ensemble tonight, Fri and Sun at 21.00 at Corvin Hall, Szentharomsag ter 6.
● Rigoletto: open-air performances of Verdi's opera, sung in Italian, tonight, Sat and next Mon at Margaret Island Theatre.
● Opera concerts: Puccini, Verdi and Donizetti melodies played by the Lehár Orchestra every Wed and Fri at 20.30 at Pest Concert Hall.
● Shakespeare's Hamlet and Twelfth Night: guest performances by Open Minds English Theatre of Stuttgart daily except tomorrow at Merlin Theatre, Gerloczy u 4.
● Tickets and information available from National Philharmonic booking office, Vörösmarty ter 1.

LONDON

Royal Albert Hall 19.00 Edward Downes conducts the BBC Philharmonic Orchestra in works by Rossini, Britten and Shostakovich. This is followed at 22.00 by a 70-minute concert by the Australian Chamber Orchestra under Richard Hickox, featuring works by Haydn, Peter Sculthorpe and Mozart. Tomorrow: Peter Maxwell Davies conducts his own music (071-823 9998)
Royal Festival Hall 19.30 English National Ballet in Frederick Ashton's production of Romeo and Juliet. Daily till Sat (071-928 8800)
Barbican 19.30 Travelling Opera's updated version of Il barbiere di Siviglia. Tomorrow: Le nozze di Figaro (071-638 8891)

MUNICH

Deutsches Theater 20.00 First night of Leipzig Opera's guest production of the Franz Lehár operetta Der Zarewitsch, with John Pickering and Lynda Kemeny in the principal roles. Daily (except next Mon) till Sep 6, with additional afternoon performances on Sat and Sun (Schwanthalerstrasse 13, 5144 360)

NEW YORK

THEATRE
● The Real Inspector Hound and The Fifteen Minute Hamlet: Roundabout Theatre Company presents a double bill of comedies by Tom Stoppard (Criterion Center, Broadway at 45th St, 869 8400).
● The Best of Forbidden Broadway: Gerard Alessandrini's long-running, ever-fluctuating musical revue (Theatre East, 211 East 60th St, 838 9090).
● Guys and Dolls: a lively production of Frank Loesser's musical (Martin Beck, 302 West 45th St, 239 6200).
● Jelly's Last Jam: the music of Jelly Roll Morton, self-proclaimed inventor of jazz, and an unsparing portrait of the man himself (Virginia, 245 West 52nd St, 239 6200).
● The Secret Garden: a charming musical adaptation of the classic children's story by Frances Hodgson Burnett, which manages to be faithful to the spirit of the book and comment on the era that produced it (St James, 246 West 44th St, 239 6200).

MUSIC
Alice Tully Hall 19.30 Leopold Hager conducts a concert performance of Mozart's La finta semplice, with a cast led by Helen Donath. Tomorrow: Apollo et Hyacinthus and Thamos. Sat: Il re pastore (CenterCharge 721 6500)
Avery Fisher Hall 20.00 Edo de Waart conducts the Mostly Mozart Festival Orchestra in a programme of Mozart symphonies, concertos and arias, with soloists Emanuel Ax, Yoko Nozaki and Susan Graham. Tomorrow: Pinchas Zukerman chamber music evening. Fri and Sat: Zukerman plays Haydn (875 5030)

PRAGUE

Tonight in Wallenstein Garden, the West Bohemian Symphony Orchestra plays a programme including Mendelssohn's Scottish Symphony and Mozart's Fourth Horn Concerto. The Wihan Quartet gives tomorrow's recital in the South Garden of Prague Castle. The Foerster Trio play works by Mozart and Dvořák on Sat in the Lobkovic Palais of Prague Castle. Mon: classical guitar recital by Miloslav Klaus. Advance booking at the Smetana Hall (u Prasne brany 2, 232 5858).
● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714)

VIENNA

OPERA
The final performances of the Kammeroper's production of Don Giovanni are tonight Fri and Sat in the Imperial Gardens of Schönbrunn Palace. Performances begin at 20.30 (512 0100). The Vienna State Opera season begins on Sep 1 with Carmen (5131 513)

CONCERTS
Ingeborg Baldaszti gives a piano recital tonight at 20.00 at Schönbrunn, with works by Schubert, Schumann, Mozart and Mussorgsky. Tomorrow at Arkadenhof: Philharmonia Schrammeln plays works by Johann Strauss and others. Sat at Arkadenhof: Taipei Flute Ensemble Academy (Wiener Musiksommer 4000 8410). Hermann Baumann gives a horn masterclass at the Konservatorium on Fri (512 8381).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0830-0900 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week – a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Wednesday August 12 1992

Critical months in Japan

JAPAN MAY not yet be suffering a western-style recession, but the probability that it will do so rises by the day. The official government line remains sanguine. But the stock market knows better; and its continued downward path suggests further troubles to come. Little wonder that, behind the scenes, Japanese officials are becoming increasingly edgy.

Japan is midway through an Anglo-Saxon style debt deflation, a fact that is finally dawning in Tokyo. Japan's debts are concentrated in the financial sector, while household debt levels remain low. And the Bank of Japan has been able to cut interest rates five times in the last 13 months to ease the pressure, albeit in a tardy fashion compared with the US Federal Reserve.

Japan's disadvantage is that bank balance sheets are closely tied to the value of the stock market through the banks' holdings of unrealised equity capital gains. Share values have fallen by 62 per cent since their 1989 peak and yesterday's fall in the Nikkei average to 14,822.56 was the first time it has closed below 15,000 since March 1986. Only a few months ago, analysts quoted 16,000 as the floor beyond which bank capital adequacy ratios would be violated.

The pressure on banks to rebuild their capital is spilling over into the wider economy. Only the most creditworthy customers now receive a warm welcome. Bank lending in July was unchanged from June, the eighth successive month in which the growth of bank lending hit a record low. Broad money growth has slowed almost to a standstill.

Depressed confidence

Not surprisingly, the economy looks sicker by the day, despite government claims that the slide is coming to an end. Japanese companies continue to cut investment, and private sector machinery orders, excluding shipbuilding and electric power companies, fell by 19.2 per cent in June compared with a year ago.

Even Japan's consumers, normally sheltered from the turbulence of the economic cycle, are feeling the pinch. The ratio of job offers to applicants is at its lowest level in four years, and some smaller companies are laying off staff. Consumer confidence is depressed and department store sales are falling.

Official government forecasts for 3½ per cent growth this year now look absurd, as even the Ministry of Finance concedes. But the Tokyo market consensus of 2½ per cent growth, a better reflection of current MoF thinking, still looks too optimistic. Economists at the London subsidiary of Dai-Ichi Kangyo Bank, released from Tokyo's conformity, plan to halve their current 1.2 per cent forecast for 1992. Nor does next year look much better, even if a world recovery can fuel Japan's already impressive export performance and the risk of a large bank failure is avoided. Rebuilding balance sheets is a long process which will take years not months.

Sorely needed

At least the Bank of Japan appears finally to have realised the gravity of situation. The best way to ease the pressure on the banks is to keep cutting interest rates. The Bank should do so at once. But the US experience demonstrates the limited effect that monetary policy can have when private sector confidence is depressed. Only a revival in spending and investment will provide the fillip that is sorely needed to shore up the market. And only the public sector has the means to do so.

Yet the Ministry of Finance remains unwilling to act on anything like the scale and speed required. It provided no more than a cosmetic fiscal boost last spring which, if anything, reduced market confidence. Once again, despite government claims that an aggressive economy-boosting package of public infrastructure spending is imminent, the ministry is prevaricating. The much heralded supplementary budget will not arrive before October, if the MoF prevails, and the stimulus is unlikely to exceed 1-2 per cent of gross domestic product.

The government cannot afford to be seen to dither in this way. If market nerves are to be soothed, a more substantial package of tax cuts and spending increases is needed before the end of the summer. The further the market falls, the larger the gap between the Ministry of Finance's complacent optimism and hard reality will become.

Camp David revisited

WHAT A difference an election makes. Less than two months ago, the leaders of the US and Israel were barely on speaking terms, and President George Bush was punishing what he saw as intransigence on the part of Mr Yitzhak Shamir, the Israeli prime minister, by withholding $10bn in US loan guarantees.

Yesterday at the presidential summer home in Maine, Mr Bush and Mr Shamir's Labour successor, Mr Yitzhak Rabin, gave a vivid demonstration of how much has changed since the latter's election victory in late June. Amid extravagant expressions of mutual affection, Mr Rabin evidently convinced Mr Bush that he is committed to making a success of the next round of Middle East peace talks, due to commence in Washington on August 24, and Mr Bush responded by promising to press Congress to release the loan guarantees.

For good measure, Mr Rabin even gave President Bush's flagging re-election campaign a fillip by praising his leadership in the Gulf war.

The change is more than atmospheric. Mr Shamir was a genuine obstacle to the peace process that Mr Bush and his secretary of state, Mr James Baker, have expended so much effort on. In the past six weeks, Mr Rabin's centre-left coalition has done much to prepare the way for progress: he has frozen almost all new Jewish settlement activity in the Israeli-occupied West Bank and Gaza Strip, and has promised to engage in intensive negotiations on interim self-rule for their Palestinian inhabitants. Circumstances have not been set so fair for some form of new Israeli-Arab understanding since the 1978 Camp David accords negotiated between Jimmy Carter, Menachem Begin and Anwar Sadat.

Rapid progress

President Bush himself has good political reasons to want to secure rapid progress in the Middle East. In the eyes of the American public, the failure to make headway with Arab-Israeli talks has tarnished the US victory in the Gulf war; at a time when Iraqi President Saddam Hussein is still taunting Mr Bush from Baghdad and Washington seems at a loss over Bosnia, any prospect of foreign policy success will be gratefully seized. If the prize can be achieved in a way that improves Mr Bush's standing with the influential US Jewish community, as yesterday's love-in certainly will, so much the better.

This represents, in Mr Henry Kissinger's phrase, a "window of necessity" for all sides – not least for the Arabs. Palestinians' suspicions may be aroused by the sudden US-Israeli rapprochement, but it is they who have most to gain from exploiting the new Israeli flexibility that underlies it. That essentially means being realistic about what they can obtain at this stage of the process.

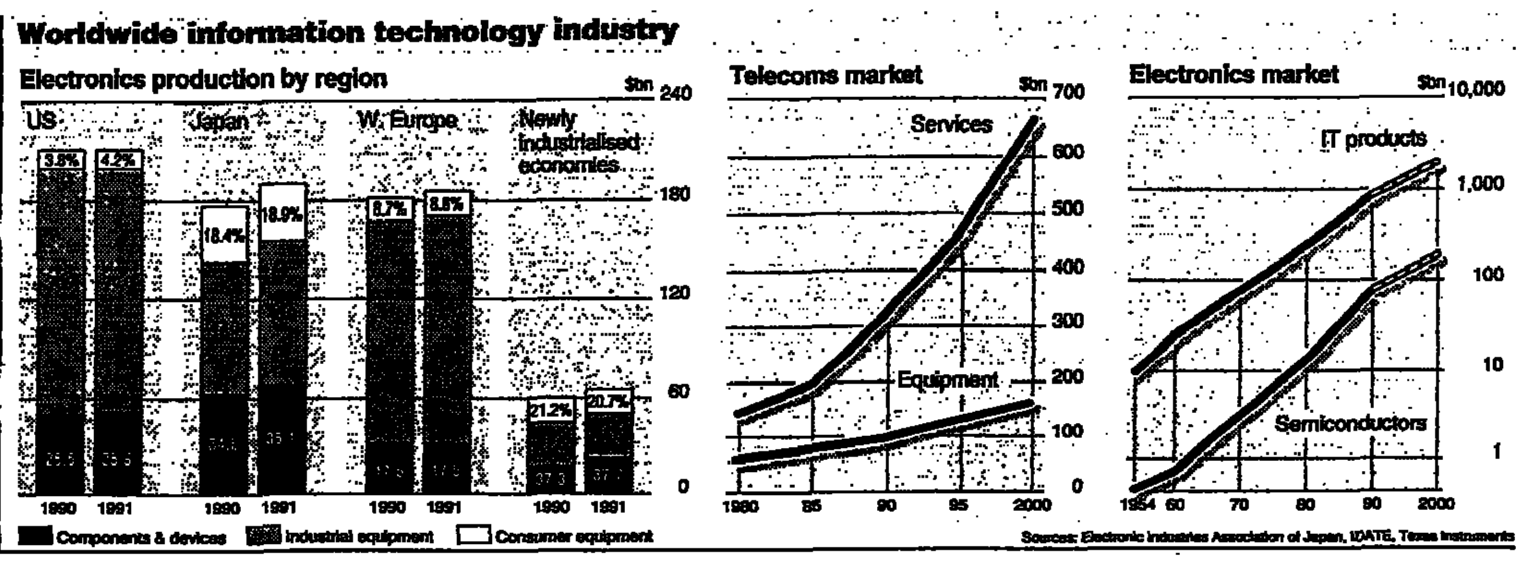
More limited

As Mr Rabin has repeatedly made clear, there is no question of his current government offering a land-for-peace deal as such. What may be available is something much more limited - a transitional arrangement on Palestinian autonomy as provided for at Camp David, and an understanding that the territories' final status is to be negotiated after a specified number of years.

Even this much will be very difficult to agree. However far and fast his left-wing coalition partners want to go, Mr Rabin feels constrained by his desire to carry with him mainstream Israeli opinion and to keep opposition from Jewish settlers to the margins. The Israeli and Palestinian definitions of autonomy will be so different as to be mutually unrecognisable.

And however strongly Mr Bush may want the talks to succeed, some of the external impetus behind the negotiations may be lost if, as is widely expected, Mr Baker steps down as secretary of state to take charge of the presidential campaign.

That the talks have reached this point is thanks to American pressure as much as to growing realism among Arabs and Israelis. But America is not going to be there holding the reins, or holding Israel's hand, for ever; the US election campaign itself illustrates how domestic concerns have come to the fore. All the more reason, then, for the parties themselves to demand that the talks restart in a brisk and decisive fashion.



A hiatus for the high-tech dream

The revolution promised by IT may be running out of steam, writes Alan Cane

The information technology revolution seems to be losing momentum, less than two decades after bitter competition in microchip development in the 1970s between US and Japanese electronics companies held out the promise of a new economic era.

The developing technology was expected to usher in a period during which information would succeed labour and capital as the dynamo of growth.

Today, electronics manufacturers, on whose products the revolution is based, are reporting declining revenues and profits and are finding it difficult to fund further developments. One-time competitors are being forced to form alliances, to pool knowledge and resources in order to create the next generation of high technology products.

Development costs have become so great that no single semiconductor company is prepared to risk the investment. Annual spending on capital equipment and R&D alone for a large semiconductor company such as Intel of the US, is nearly $2bn. The consequences are becoming painfully obvious. Fujitsu of Japan, for example, one of the leading companies in chip technology, warned last week that it would make its first interim loss for more than a decade.

The plight of the chip makers is a watershed in the turbulent development of the "information technology" sector. The expression was coined to describe collectively semiconductors, computing, consumer electronics and telecommunications. These industries, through their potential to influence every aspect of life, would drive the engines of the third industrial revolution in succession to steam and electricity.

Since the beginning of the IT revolution, industry estimates have forecast that by 2000, the IT sector would generate $2,000bn a year in sales. Employment would be created through the formation and expansion of companies in the sector and through its effect on other businesses which use IT. Jobs created through the exploitation of IT would more than compensate for those lost through automation, it was believed.

There has been little to challenge that optimistic scenario for more than 15 years. Growth in every sector of IT has been robust, sometimes explosive.

Microelectronics has been the key to progress. New industries and companies have emerged as a result of the ready availability of low-cost, miniaturised electronic components. The modern facsimile machine market, for example, has grown in a few years to a value of $2bn a year in the US alone.

Over the past two years, however, the broad picture has deteriorated rapidly. Many leading IT companies, among them the US computer manufacturers International Business Machines and Digital Equipment, have fallen into loss. The Japanese consumer electronics companies Sony and Matsushita are reporting sharply reduced revenues and profits. Profits at Philips of the Netherlands, Europe's biggest consumer electronics company, have fallen sharply despite a radical restructuring of the group.

Overall growth in the semiconductor market this year will average less than 11 per cent; for computers, it will be about 5 per cent. For consumer electronics, growth will be flat. In mature industries, these would be unremarkable figures, but IT businesses have been used to growth of 20 per cent a year or more.

The downturn has a chilling significance for high-technology industries. It indicates that in each area, the market may not be growing quickly enough to generate the cash needed to fund development of the next generation of products. According to Mr Brian Attwell of the Gartner Group, a US-based IT consultancy, unless the market grows by at least 15 per cent a year, it becomes difficult for companies to afford the level of investment necessary for successful innovation.

Why has the optimism which drove the industry in the 1970s and 1980s turned sour?Can there be a return to the growth rates of earlier decades – which would seem to be necessary if the industry is to make progress?

The answers are complex. The IT business is at the confluence of several separate trends which are conspiring to slow growth, drive down prices and reduce the attractiveness of IT products to customers.

These include the world recession and the falling cost of semiconductors and computer hardware. Leading semiconductor manufacturers, for example, have been unable to reap the benefits of heavy capital investment in the present generation of memory chips because overcapacity has depressed prices. The price of the industry workhorse, the 4MB fast-memory chip, has fallen by 55 per cent over the past 12 months to a mere $12.

There have also been moves to standard computer systems which are intrinsically less expensive than custom-designed equipment and a general disenchantment with electronic technology. Sir Denys Henderson, chairman of ICI, sums up the position: "I still worry enormously both about the amount we spend on IT and the increasing difficulty of justifying that expense in terms of the bottom line."

His comment explains why this recession is different from those of the past. In previous recessions, companies continued to invest in IT, especially in the US, in the belief that it would improve their efficiency and competitiveness. This time, the simple efficiencies have already been achieved and there is little faith that further investment will bring improved performance.

A glance at companies in each of the major IT sectors reveals the difficulties that they face. It also shows how some "star performers" which have focused on products with a high added value have managed to buck the trend.

● Semiconductors. While Japanese and Korean manufacturers – such as Fujitsu and Samsung, which make the lion's share of the world's commodity memory chips – face declining profits, Intel of the US produced record results in 1991, pushing both revenues and profits up 22 per cent. Intel is the world's largest supplier of microprocessors, the chips at the heart of most personal computers and telephone exchanges. It is profiting from its decision not to license its most advanced microprocessor technology to other manufacturers.

● Consumer electronics: the decline in growth at companies such as Sony, Toshiba and Philips also reflects a lack of current products with high added value. The industry is between product cycles; customers are weary of minor improvements in old products such as hi-fi and television. It will, however, be several years before the price of innovations touted to become successes on the scale of Sony's Walkman fall sufficiently to attract mass audiences. These include the digital compact cassette, the mini-disc, high-definition television (which offers cinema-quality images) and interactive video.

Where a company can add value through innovation, however, it can buck the downward trend. Sharp, for example, which has developed a relatively cheap high-definition television, is almost alone among Japanese electronics companies in not having had to revise downwards its profits forecast.

● The computer industry is undergoing a transformation more profound than any other IT sector. Computers, especially personal computers, are falling in price by 20 per cent or more a year as microprocessors and memory chips become cheaper and competition intensifies.

Manufacturers, distributors and dealers are being forced to accept narrower gross profit margins to the point where there is concern that resources will not be available to support existing products or develop new ones. Typically, margins in the computer industry have averaged between 40 and 60 per cent. In the case of personal computers, however, margins are less than 20 per cent.

The problem has been intensified by a sudden slowdown in the market, which is only partly the result of the recession. It also reflects a dissatisfaction among customers with investments in IT.

In a forthcoming study, Mr Carl Dahlman and Mr Ashoka Mody of the World Bank argue: "The aggregate impact of IT on productivity performance has been disappointing." Dr Peter Weil, author of a study on the value of IT in manufacturing, notes: "What makes managers uneasy about IT is the lack of evidence that previous investments have generated business value."

Computer manufacturers are increasingly turning to computing services – helping their customers get the best out of their investments – to counter disenchantment with their products and to restore falling revenues. Services such as facilities management – operating a customer's computer systems – command higher gross profit margins than making computers.

● Telecommunications is a relatively distinct member of the IT sector. It is linked to the other electronics industries only by its prodigious use of semiconductor technology. While the growth of the other members of the IT group has been based on products, telecommunications has operated as a service operated by monopolies under strict regulation.

The outlook for telecommunications is broadly encouraging. Growth will be driven by continued deregulation and the removal of state monopolies. In the competitive US market, the average person makes twice as many telephone calls as in Europe, where the authorities are only now starting to liberalise markets.

What conclusions can be drawn from the hiatus in the IT industries? First, the technologists have done a good job; the industry has moved from youth to maturity in only a few years. The revolution has not been halted, but the corporate structures of its leading players have found it difficult to respond to the rate of change.

Second, there will be an increasing trend towards products and services that provide high added value, and therefore respectable profit margins, rather than the production of commodities such as memory chips and basic personal computers.

There are already moves in this direction. Mr John Diebold, a US computer consultant sometimes known as the "father of automation", has been examining new uses for IT in intelligent road systems, environmental monitoring and health care.

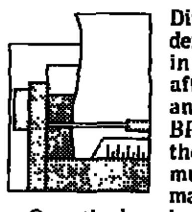
The IT industry is like a train forced to slow unexpectedly; there is little chance of it being derailed but passengers without a handhold have been severely shaken. Without developments of the kind Mr Diebold is encouraging, it may be difficult for it to pick up speed again when the way ahead is clear.

Additional reporting by Michiyo Nakamoto and Hugo Dixon.

PERSONAL VIEW

Why dividend cuts are a last resort

By Paul Marsh



Dividends and dividend cuts are back in the headlines after last week's announcement by BP. This prompts the question: how much do dividends matter?

Over the long haul, they matter a great deal. Ignoring dealing costs, a tax-exempt investor who put £1,000 into a broad portfolio of UK equities in January 1955 would today have a portfolio worth £157,000. If the dividend cheques had instead been torn up, the portfolio would be worth only £25,000. The difference is attributable to dividends and dividend growth. This explains why long-term investors care about dividend growth, and hence about dividend prospects and announcements.

Dividend announcements provide important information about the future. This follows from the ground rules companies use to set dividends. First, companies "smooth" dividends, with changes tending to follow shifts in long-run sustainable earnings. Transitory changes are seldom allowed to affect dividends. Second, companies take future prospects into account, and since managers generally have better information than investors, dividends provide an important communications channel. And third, companies try to avoid dividend cuts at (almost) all costs.

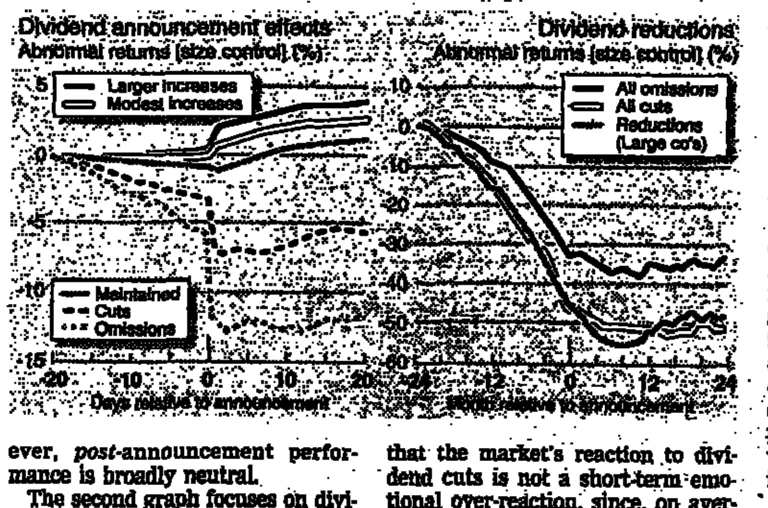
These ground rules help ensure that dividends provide a simple, highly visible signal about future prospects. This signal has built-in credibility because it is backed up by hard cash.

Evidence confirming the importance of dividend announcements is provided by a recent London Business School research study. This examined nearly 6,000 dividend announcements by UK companies from January 1989 to April 1992. Announcements were divided into five groups: larger increases (more than 25 per cent), modest increases, maintained, cuts and omissions.

The left-hand graph shows the cumulative abnormal returns for each of these sub-groups from 20 days before the announcement to 20 days afterwards. Abnormal returns are defined simply as actual returns (capital gains plus dividends) less the returns on a control group of companies of similar size. The share-price reaction to the announcement is consistent with both the direction and magnitude of the dividend change. There are also significant abnormal returns over the 20 days beforehand, and these too are consistent with the subsequently announced dividend. But in the 20 days afterwards there is, on average, little further reaction.

The same chart also shows that there is a marked asymmetry between dividend increases and reductions, with reductions conveying the most (and worst) news. In the month leading up to and including the announcement date, the abnormal returns for larger increases, modest increases and held dividends were +3, +1¼, and – ¼ per cent respectively. Dividend cuts and omissions experienced price falls of 7 and 12 per cent.

The study also examined longer-term returns from a year before until a year after the announcement. The most striking finding was the pattern of returns during the year beforehand. For companies which subsequently announced larger increases, modest increases and maintained dividends, the prior-year abnormal returns were +19, +9 and –5 per cent respectively. In contrast, companies which cut or omitted their dividends showed prior-year abnormal returns of –26 and –37 per cent. Once again, however, *post*-announcement performance is broadly neutral.



The second graph focuses on dividend cuts, extending the time frame to a four-year window centred on the announcement. It provides the strongest evidence yet that companies which reduce their dividends have been performing very poorly, and that much of the bad news has been discounted prior to the announcement. Thus over the two-year pre-announcement period, companies which reduced their dividends showed an abnormal return of –39 per cent (–33 per cent for cuts and –46 per cent for omissions). The larger companies in the sample showed an even greater abnormal return of –46 per cent, ie: in relative terms they had lost nearly half their value.

The choice is not one of dividends versus investment; potentially companies can do both

The right-hand chart also shows that the market's reaction to dividend cuts is not a short-term emotional over-reaction, since, on average, there is no subsequent "price correction". For dividend reductions, the two-year post-announcement abnormal return was –5 per cent, while for larger companies it was – ½ per cent. This approximately neutral performance suggests that, on average, the market's assessment was broadly correct when the dividend was announced.

Although dividend reductions became far more prevalent in the second half of the period covered, particularly in 1992, research indicates that the share-price reaction to cuts has in no sense mellowed.

Companies contemplating dividend cuts can draw a simple lesson from these findings, namely that the market interprets cuts as a powerful signal of bad news. Investors know the ground rules companies follow, and they reason that companies will not cut dividends unless they have to. They also recognise that cutting the dividend has, until now, placed companies in a fairly dubious club of poor performers, with many notorious corporate casualties as fellow members.

Many argue that companies should change their ground rules, and make dividend cuts more frequently. One suggestion is that they should maintain a constant pay-out ratio, automatically lowering dividends when earnings fall.

This, however, would result in volatile dividends, and would impose costs on investors who have chosen particular stocks for their income requirements. It would also mean that companies could no longer use dividends as signals. Even more importantly, it could let management off the hook. For as long as dividends are viewed as a quasi-commitment, this maintains the pressure on management to find ways of cutting operating costs and improving efficiency.

Companies concerned with their shareholders' interests would therefore be well advised to adhere to the conventional ground rules, and adopt a consistent, long-term dividend policy which is appropriate for their clientele of investors, and compatible with the cash needs of their business.

But what if the policy ceases to be consistent with the company's cash needs? The worst action companies could take would be to cut back on profitable investment projects, or otherwise to jeopardise the future of the business. This would be short-termist indeed.

The choice such companies face, however, is not one of dividends *versus* investment; potentially they can do both by seeking external financing. Such companies should view this not as a dividend problem *per se* but as a financing problem. A dividend cut would be one possible solution but, in general, it should be embarked upon only if the situation is truly bleak.

The author is professor of management and finance at the London Business School.

Riots in southern China pose a dilemma for the leadership's programme of liberalisation, writes Simon Holberton

Impasse or impetus on the road to reform

Ready for action: police in riot gear in Shenzhen yesterday, as thousands queued again

The violent events of Monday night in Shenzhen, south China's showcase of market economics, will mark either a brief detour along the road of reform or another impasse to the country's 13-year experiment with economic modernisation.

The decisions taken by China's leaders over the next few weeks in response to the rioting will show whether Mr Deng Xiaoping, the country's senior leader, can hold the ring, or be forced to stage a tactical retreat ahead of this autumn's 14th congress of the Communist party – one of the most important in its history.

Thousands of small investors, possibly goaded by local gangs, rampaged through the city, burning vehicles and assaulting police. Twenty arrests have been made so far. China has not seen such civil strife since the spring and summer of 1989 when students occupied Tiananmen Square in Beijing in their demonstration for more democracy.

The riot in Shenzhen had a less abstract, though no less potent, cause. Small investors were angry at having been allegedly cheated by corrupt officials out of the chance to participate in the local stock exchange's latest round of share issues.

The government responded by sending in the police, rather than the army – a relatively lenient approach which shows the city's importance as a symbol of economic liberalisation. Shenzhen is one of the original four special areas set aside for capitalist development. A little more than a decade ago Shenzhen was a flat track of poor agricultural land on the northern side of China's border with Hong Kong. Today, it is the brightest city on China's "gold coast", and gold – in the form of company shares – is what lured 1m people from as far away as Beijing in the north and Sichuan in the south-west over the weekend.

China's first stock market opened in Shenzhen in December 1990. Eighteen companies – embracing bicycle and television manufacturers, petrochemical and glass companies – are now listed on the exchange, eight of which permit foreign ownership through "B" shares. These rank equally with "A" shares which are reserved for Chinese nationals.

The market is capitalised at about Yuan44.5bn (£4.29bn) Since the end of April, the market index has risen threefold and its constituent companies now trade on an aggregate historic price to earnings ratio of about 85. This compares with an average ratio of 24 in Taiwan and about 13 in Hong Kong, and indicates the high demand for equities in China.

The rating in Shenzhen and, to a lesser extent in Shanghai, where China's second and smaller stock market is located, reflects less the quality of the companies listed, however, and more the scarcity of available stock. For local Chinese investors, there are few assets to buy. Housing is state-owned; private car ownership virtually non-existent.

Total "official" household savings in China are estimated at Yuan1,600bn, a figure which does not take into account the savings stashed in people's homes. In Guangdong province, where Shenzhen is located, foreign currency held in private hands is estimated to be in excess of US$3bn.

> **The autumn party congress is expected to stamp its approval on the creeping deregulation of the economy**

But with negative real interest rates on savings, the Chinese are in thrall to the nation's fledgling stock markets. The potential for large gains, so far, has been large. In a similar share offering in Shenzhen last year a domestic investor who paid Yuan7,000 for 2,000 shares would today own shares worth up to Yuan50,000.

"No wonder all the trains and flights are squeezed with people from different corners of the country, with ID cards and money from the whole village in their pockets," one Shenzhen official, referring to the latest offering, was quoted as saying in the Chinese press.

It is ironic that Deng Xiaoping launched his latest drive for economic reform after his much-publicised tour of southern China in January this year. Shenzhen was the tour's focal point and has since become the model of economic liberalisation.

The tour was probably Deng's last attempt to steer the reform course, an effort that will culminate in the 14th congress of the Communist party, to be held this autumn. Deng, who is 88, wants the party to "elect" pro-economic reformers to prominent party positions and embrace his concept of a "socialist market economy".

It is still unclear what a socialist market economy means in detail, but the broad outlines appear clear. The congress is expected to stamp its approval on the creeping deregulation of the economy that has gathered pace over the past six months. Already China has declared main cities along the Yangtze river and the Yangtze river delta open to foreign investment and external trade.

The congress seems likely to accept that market forces may determine the fate of the bloated state industries. Beijing's recent decision to let 15 companies go out of business suggests that it is prepared to tolerate the social costs – principally rising unemployment – of company failures, though the move only goes a little way towards addressing the extent of the problem.

More price reform is expected to be endorsed by the congress, as well as a change in working conditions to allow easier hiring and firing, and possibly further steps towards allowing people to buy their own homes.

This was the direction in which China was heading on Monday when rioting hit Shenzhen. While it is possible that the violence could derail reform, this is not considered likely by observers, who feel the congress will endorse the broad thrust of Deng's plans.

Nevertheless, risks exist. Deng may be China's most important leader but his power is not unlimited; rule in China is a subtle mix of consensus building and coercion.

The Shenzhen riot comes at a critical time during the process of consensus building. It provides fresh ammunition for the conservaties in Beijing who are already concerned by the rapid acceleration in the country's growth rate to an annual rate of more than 15 per cent, and the inflation which is likely to increase in its wake.

So far, Beijing's reaction appears measured. Lau Gan, the cabinet secretary, is reported to have been dispatched to assess and report on the causes of the riot and the allegations of corruption. Serious as it was, the riot did not develop into an open challenge to the Communist party's right to rule, in the way that the Tiananmen demonstration did. The object of the crowd's anger was corrupt officials who allegedly gave preferential access to share application forms to family members and friends.

It was Deng who said: "It is a glorious thing to get rich." The people who travelled to Shenzhen were taking him at his word. China's leaders may conclude that the road to ruin for the Communist party now lies in preventing, rather than allowing, the Chinese people to give full vent to their material aspirations.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Demerger of ICI and long-term planning

From Dr Simon Doughty.

Sir, As a former employee of ICI, and having worked in both Britain and Germany, I was not altogether shocked to learn of ICI's demerger plans. Such things were discussed frequently in 1982-1984, when I was an ICI-supported PhD student at the old corporate research laboratories.

The question of whether the demerger argument is spurious in the eyes of the German "Big Three" (Letters, August 10) must also be looked at from (yet) another angle. The acknowledged industrial advantage held by BASF, Bayer and Hoechst is that a high percentage of their respective businesses is generated from just one major chemical plant, with the associated economies of scale in basic utilities, as well as human and financial capital.

ICI has from the start been a collection of separate plants, which served to reinforce the divisional differences. The future ICI bio businesses have done most to break down these old barriers.

This problem of geographically dispersed plants is not exclusive to ICI.

The French chemical industry is similarly structured. In this respect the management of human capital is made more complex by questions of mobility. One can only hope for the employees of the future ICIs that the new structures will allow the management to plan more long term, and remove the pressure on the cyclical businesses to produce "pharmaceutical" profits, a pressure which is, as stated by Dr Sally, purely external.

Simon Doughty,
1 Ave Fernand Lefebvre,
78300 Poissy,
France

The means to pay restraint end need to be stronger

From Mr Chris Trinder.

Sir, In your leader, "Pay restraint and the ERM" (August 6), the aim is admirable, but the means suggested to achieve it need strengthening.

You recommend that "the government should state categorically that it will not accept settlements in excess of 9 per cent next year ...", but progress could be made on settlements still outstanding this year. The wage rise for 40,000 firefighters falls due in November and should be based on upper quartile male earnings increases 1991-1992, expected to be at least 6 per cent. A 6.5 per cent rise for 120,000 police from September 1 has not yet been ratified. And 10,000 National Health Service managers have their pay decided by a secretary of state decision yet to be finalised.

You say "now is not the best time to cut public employment", but settlements for the 1.5m local authority workers cannot be controlled until July 1993 (white collar) and September 1993 (manuals). Manpower reductions are the only way to make immediate savings.

Finally, settlement norms which apply equally across the board are inefficient. Increases only where extra revenue generated exceeds the additional expenditure, or where the adverse consequences of persisting with existing rates outweigh the benefits of increasing them, may be a better way to get the desired result.

Chris Trinder,
Public Finance Foundation,
3 Robert Street,
London WC2N 6BH

No advocate of floating pound

From Mr Howard Davies.

Sir, Your leader, "Each-way bets in the market" (August 1) states "... the hints in this country from the new director-general of the CBI and the chairman of ICI, to take the two most prestigious examples, suggest realignment or even a return to independent floating [of the pound] as preferable".

Certainly I have called for concerted action within the ERM to secure lower interest rates. But at no time have I advocated floating the pound, or supported a unilateral devaluation of sterling. Indeed, all recent CBI statements have explicitly rejected that option.

Howard Davies,
director-general,
Confederation of British Industry,
Centre Point,
103 New Oxford Street,
London WC1A 1DU

Council tax and house prices

From Mr W A James.

Sir, There have been a number of recent articles in quality papers concerning the bands to be used for Britain's council tax. The bands are based on two-year-old house prices. According to the government "the bands are so wide that reflecting the fall in house prices would cause little movement between bands".

The problem is worst in the south and East Anglia, where house prices have fallen most dramatically. I do not believe that anyone has yet considered the mathematics involved. If every house and flat in the country dropped into a lower band then the price for each band would have to increase in order to raise the same total amount of tax.

It will be difficult to convince people that it is fair to charge tax based on what a house was worth in the past. Government spokesmen should remind the public that the prices used to set the banding are a snapshot at a point in time and that those prices would have continued to be used if prices had carried on rising.

The government could learn from the private sector marketing experts. They consider how to influence the perception of the customer. An example is retailers who increase prices and soon after offer 20 per cent off!

W A James,
"Swanland",
Haynes Mead,
Berkhamsted,
Herts HP4 1BU

Cyprus not a 'poorer' applicant for EC entry

From Mr Michael Erotokritos.

Sir, Both preceding and in the wake of the recent Lisbon Summit of the EC there have been a number of reports in the Financial Times relating to EC enlargement. In these reports we see the dangerous tendency to lump together existing and potential EC applicants in certain entry baskets. We read that the "Efta states" are likely to be the next batch of members of the EC and that "the three poorer southern countries" of Turkey, Cyprus and Malta will have to continue to do time in the EC's waiting room. The former socialist countries of eastern Europe are also bracketed together over the timing of their possible entry into the EC.

In Cyprus we consider that it is more appropriate to examine the case of each EC applicant state on its own individual merits. In terms of economic development both Cyprus and Malta cannot be considered poor. An examination of the income statistics in the 1992 World Development Report of the World Bank shows Cyprus with per capita GNP of more than US$8,000 in 1990 compared with US$6,610 for Malta and US$1,630 for Turkey. Furthermore, the per capita income of Cyprus is considerably in excess of that of two existing EC members, namely Greece and Portugal, with per capita GNPs of US$5,990 and US$4,900, respectively, in 1990.

We would add that the flourishing and sound economy of Cyprus is based on the twin pillars of a strong market-oriented system and a pluralistic democracy.

M R Erotokritos,
permanent secretary,
Ministry of Finance,
Nicosia,
Cyprus

OBSERVER

Heard on a grouse moor

■ It will be interesting to see whether Scottish landowner Christopher Moran, the first broker to be expelled from the Lloyd's insurance market, is going to make it back into the list of Britain's seriously rich people.

Moran, who used to be reckoned to be as wealthy as GEC's Lord Weinstock, was upset when the Sunday Times left him off its recent list of the 300 richest people in Britain.

Moran, who owns Scotland's Glenfiddich estate and is spending £25m on Crosby Hall, his new Cheyne Walk home, told the paper that his property assets were worth some £200m and he had little or no borrowing. Ivan Fallon, the Sunday Times' deputy editor, has promised to reinstate him.

However, it sounds as if Moran might soon be a little less wealthy than he was. A US federal judge has just ordered him to pay $2m to settle an alleged insider-trading lawsuit linked to his sale of shares in Zondervan, a publisher of Christian books and Bibles.

When Observer contacted Moran yesterday on his Scottish grouse moor, he sounded remarkably unperturbed by what might seem to some a legal setback.

His view is that the judgment is unenforceable in the UK and the case should be tried in the English courts, where it would be defended. And no, it would not prevent him going to America.

He promises me that his finances are in good shape. He degeared before the 1987 stock market crash, and his ownership of Chelsea Cloisters and half a dozen other buildings which are fully let, assures him of a healthy income. He intends to become more active again when the market is right but "for the moment we are free-wheeling and shooting some grouse".

Back to work

■ Spare a thought for Japan's prime minister Kiichi Miyazawa. Less than a fortnight ago he was trying to set his workaholic countrymen an example by announcing that he was taking 20 days off this summer.

According to the latest Labour Ministry figures, the average worker in Japan took just 8.2 days holiday in 1990. When Miyazawa took office last November he vowed to change this and help dent foreign complaints that Japanese work too hard. He set in train a five-year plan to cut Japan's current 2,016-hour average working year to 1,800, the present European average. A typical German put in slightly fewer than 1,500 hours last year.

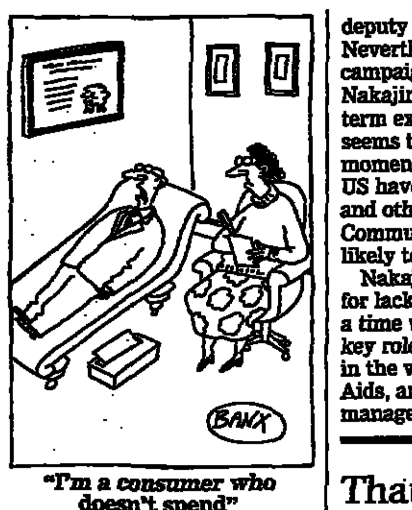
It all sounded jolly sensible. However, some of the barons in Miyazawa's ruling Liberal Democratic Party are not so sure. LDP policy chairman Yoshiro Mori, concerned by the slowdown in the economy, is reported as saying that the prime minister should cancel his holiday and get back to work.

Glad-handing

■ An unusual example of munificence from the tight-fisted people at the Treasury. Three years ago, Britain's Department of Trade and Industry suffered a humiliating rejection when it tried to join Iosco, the international grouping of securities regulators. It was eventually fobbed off with "affiliate" status. But now the Treasury – which has since taken over financial regulation from the DTI – is planning to stump up £100,000 of the £600,000 cost of Iosco's annual bash, which this autumn takes place in London.

Stephen Dorrell, financial secretary to the Treasury, will also be hosting a jolly at the Royal Academy for the 700 regulators, spouses and other hangers-on.

Presumably it's all meant to reinforce the City's standing as an international financial centre, though goodness knows why the City couldn't have put up the cash itself.



"I'm a consumer who doesn't spend"

WHOdunnit

■ Staff at the World Health Organisation's Geneva headquarters have an unsolved murder on their hands – the decapitation of a Japanese carp, long-time resident of the restaurant's ornamental pool. Could this be the work of disaffected officials who want Hiroshi Nakajima, the Japanese director-general, out of the UN agency's top job?

He is being challenged by Mohammed Abdelmoumène of Algeria, who was removed last month from his post as deputy director-general. Nevertheless, Abdelmoumène's campaign to take over from Nakajima when his present term expires in July 1993, seems to be gaining momentum. France and the US have declared their support and other European Community members look likely to follow suit.

Nakajima has been criticised for lack of clear leadership at a time when the WHO has a key role to play, for instance in the worldwide battle against Aids, and for his authoritarian management style.

That's life

■ Three enormous Jiffy bags were delivered by express courier to FT journalists yesterday. What was inside? A T-shirt? An annual report? No. All that each contained was a large manila envelope. And inside that envelope – a single sheet of paper. Still, hope springs eternal. Perhaps the piece of paper would reveal vital news. Not a bit of it. It was Standard Life's investment view, which contained such gems as "housing market remains depressed". It would seem that such 1990s concepts as cost-cutting and saving the environment have yet to reach one of Britain's largest life insurers.

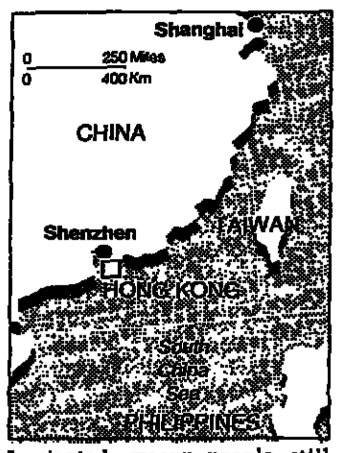
Dispatches

■ A young journalist employed by the Knight Ridder news service couldn't believe her luck. Only a few months into her job and she was summoned for a late briefing at a normally secretive ministry. After being quizzed for a quarter of an hour on oil production quotas and prices, the puzzled official leant forward and whispered across his desk: "You are from the Night Rider service?"

FINANCIAL TIMES
Wednesday August 12 1992

Shenzhen to issue more shares after civil unrest

By Simon Holberton in Hong Kong and Yvonne Preston in Beijing



ANGRY INVESTORS were yesterday promised by officials in the southern Chinese city of Shenzhen that they would get another chance to enter a lottery for new share issues after China's worst civil unrest since Tiananmen Square.

Trading on the Shenzhen Stock Exchange – China's first stock market which opened in December 1990 – was suspended for both local and foreign investors after rioting broke out on Monday night over alleged corruption in allocating share application forms.

Exchange officials said they hoped to re-open the market today – when the local bottler of Pepsi Cola, Shebao, is due to be listed. China's other exchange, Shanghai, suffered an 11 per cent fall in prices of shares reserved for Chinese yesterday.

China's cabinet met in emergency session in Beijing to discuss the riots and extra police were drafted in to Shenzhen to keep public order. Mr Lau Gan, the cabinet secretary, was reported to have been sent to Shenzhen to assess the causes of the riot.

Late last night, thousands of frustrated, weary people still stood in queues outside two banks in the city centre. Riot police swinging wooden clubs charged the crowds several times while other police dragged suspected queue jumpers out of the crowd and beat them. One policeman repeatedly fired a stun gun, scattering terrified investors and onlookers in all directions.

The outbreak of civil unrest has come at a delicate time for those in the Chinese leadership who advocate further economic reforms and are concerned about political stability.

A congress of the Communist party, which is widely expected to endorse plans for fast implementation of reforms promoted by Deng Xiaoping, China's senior leader, will be convened in the autumn. The riots may be used by those opposed to the reforms to show the destabilising effects of market-oriented policies.

Deng praised the Shenzhen market during a visit in January, but said that if the experiment did not work it could be closed.

The rioting, which continued into the early hours yesterday, was the worst civil strife since pro-democracy demonstrators occupied Beijing's Tiananmen Square in June 1989.

Over the weekend, an estimated 1m people flocked to China's richest city, which borders Hong Kong, to apply to join a lottery for new shares. Unsuccessful investors rampaged through the city.

Demonstrators carried placards alleging widespread corruption in the distribution of 5m application forms for the lottery for new share issues.

This is the first time since 1989 that allegations of official corruption have led directly to civil unrest. The existence of high-level corruption was one of the main complaints made by students and others during the demonstrations in 1989.

Impasse or impetus, Page 13

On the road: Senator Al Gore (right) has an early morning run with Raymond Flynn mayor of Boston where the vice-presidential candidate is making several campaign stops

Tokyo's private investors shun lure of market

By Emiko Terazono in Tokyo

SALES clerks at the Nomura Securities branch in Ginza, Tokyo's central shopping and business area, sit idly behind empty counters. They fail to react to the flashing price board, indicating another fall of the Nikkei stock index.

Except for an occasional pedestrian peering in to check share prices, the branch is quiet and the second floor, designated for "individual investment consulting", is deserted.

With the Nikkei's weakness well into its third consecutive year, Japan's individual investors have reacted coolly to the recent plunge on the Tokyo stock market.

"I don't want to have anything to do with stocks," says Mrs Kyoko Aoyama, a housewife living in Tokyo, who purchased a total Y7m (£28,800) worth of stocks in the late 1980s. "I bought about seven issues and wanted to use the profits for my son's university tuition, but now I've lost about a third of it. Looking at share prices just irritates me."

Mrs Aoyama is only one of the disillusioned Japanese retail investors who have turned away from the stock market. Earlier this year, brokers tried to woo individuals back into the market with advertising campaigns.

Brokers believe that, with institutional and foreign investors discouraged from buying, the return of the private investor is essential for a stock market recovery. "In the past, active buying by individuals has signalled a rebound in share prices," says Daiwa Securities.

But individuals have been unmoved by Japanese securities houses' efforts to rebuild investor confidence, shattered by last year's spate of stock scandals, involving brokers' dealings with gangsters and loss compensation for favoured clients.

Individual Japanese investors have shunned stocks and plumped for fixed-income investments. Last month, stock investment funds saw Y326.4bn in cancellations and redemptions, which exceeded new fund establishments in the 17th consecutive monthly net outflow.

In contrast, the money management fund – a new bond and money market fund offered to the private investor – has attracted Y3,173bn since its debut last May, and postal savings, which offer higher rates than normal bank deposits, rose 16 per cent from last March to Y158,000bn at the end of June.

The low dividend yield of the market is no incentive. Japanese investors have generally focused on share price rather than dividend yield, but with the stock market 60 per cent down from its peak, the present yield – about 1 per cent – is not attractive.

Financial authorities have become increasingly worried about the lack of interest among individuals. Mr Tadashi Ogawa, the newly-appointed director of the finance ministry's securities bureau, urged changes in the securities industry to benefit the retail investor.

The Tokyo Stock Exchange wants to increase the availability of shares to individuals, and is urging companies to reduce the minimum investment unit from 1,000 shares to 100.

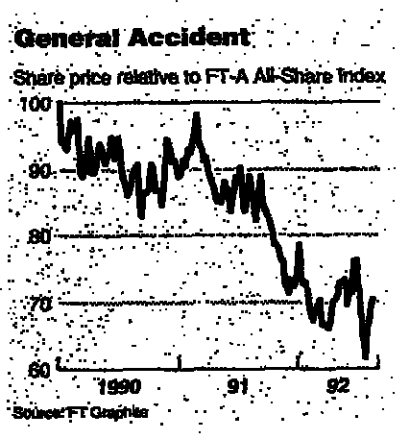
But such measures are unlikely to convince individuals who have lost heavily on their stock portfolios. Mr Hideo Ichikawa, 36, a Tokyo office worker who borrowed Y5m to buy stocks for the first time in 1989, is repaying the interest on his loans by borrowing more money with his credit card.

"I've had enough. Working hard for a salary is the best way to make money."

THE LEX COLUMN

GA's preferred option

FT-SE Index: 2309.60 (-16.1)



General Accident's announcement that it will follow Commercial Union into the preference share market underlines the gaping hole blown by recession in the balance sheet of the UK insurance industry. An issue of perhaps £150m should be feasible given GA's excellent connections among Scottish institutions, many of which are increasing holdings of fixed-interest securities. This would improve GA's solvency margin by about 5 percentage points. Yet the margin fell by that amount in the last eight months alone.

With an investment portfolio delivering little or no growth, no retained earnings to rely on and the cost of maintaining an uncovered dividend, GA is running just to stand still. The uncut interim pay-out drained £43m from net assets in the first half alone. A slug of preference capital would certainly improve the odds in favour of the dividend being maintained. More than anything this may explain yesterday's 2 per cent rise in the share price.

However, yesterday's interim results also suggest that GA has reached the turn at an operating level. The biggest concern must be that profitability is so far being restored at the expense of market share. UK premium income in the first half was virtually unchanged over last year, in spite of sharply higher rates on some lines of business. A sceptic might question the wisdom of shedding so much business at the bottom of the cycle. One suspects that GA is only too aware of the conflict. A preference issue may give it breathing space to preserve market share until conditions improve.

UK mortgages

The equity market could not quite decide how to take yesterday's mortgage increase by the Skipton Building Society. Initial alarm gave way to relief that other larger lenders would not immediately follow suit. That may yet prove to be optimistic. The Skipton's move is a harsh reminder that competitive pressures in the retail savings market are still strong despite two cuts in National Savings rates.

The risk remains of other societies being forced to raise rates. If this does not happen, some damage must already have been done. Mere talk of possible higher rates seems calculated to depress further housing market confidence. As confidence ebbs, the government looks even more boxed in. It could not after all reduce National Savings rates a third time without a truly embarrassing loss of face.

Nor does the foreign exchange market relish reminders of the government's acute desire to avoid a mortgage rate increase. Every such reminder only serves to dilute its faith in the authorities' determination to raise interest rates if necessary to defend sterling. Perhaps it is just as well that, for yesterday at least, exchange dealers had the distraction of concerted intervention in support of the dollar to keep their attention away from sterling.

De Beers

A diamond may be forever, but not alas a dividend. De Beers' announcement that it will reduce its final dividend substantially shows that the recession has not left the Byzantine world of diamond dealing untouched. That would be unsurprising, had not the company's chairman, Mr Julian Ogilvy Thompson, given an upbeat assessment of prospects only three months ago. The 6 per cent fall in De Beers' shares reflects how far the market has been wrong-footed. His credibility has been dented.

The company may have been rash to rely on optimistic projections of the world economy, but the problems with the diamond market run a little deeper. De Beers' decision to defer purchases of 25 per cent of the diamonds for which it is contracted reflects the strain facing the cartel which it runs through the Central Selling Organisation.

Mopping up illicit diamonds from Angola has proved expensive, and one of the beauties of the cartel's marketing operation is its ability to spread the misery around producers. This will clearly be unpopular. Besides saving cash, cutting the dividend may make the reduction in diamond purchases more palatable to cartel members outside South Africa. The company should be able to contain any leakage of diamonds from the cartel, but it is hard not to conclude that part of De Beers' difficulty is of its own making.

British Airways

It was almost inevitable that British Airways' first-quarter profits should bounce back sharply from last year when business was still severely depressed by the Gulf war. Less easy to foresee was the 6.5 per cent drop in yield per passenger kilometre. BA has not only suffered a shortfall in premium fares from business and first class passengers, it has been discounting to boost economy class volumes.

The upshot may be an increase in market share, but the strategy also makes BA particularly dependent on its ability to trim its expenses. Since yesterday's figures also show it on track to cut costs by £150m in the current year, the market may have been a little negative in marking the shares down by 3 per cent. The need for discounting should abate quite quickly when economic recovery does eventually come. Even if this takes until well into next year, the chances are BA's economy programme will continue to pay off meanwhile.

British Telecom

British Telecom had good reasons for giving way to the regulator Oftel. The pricing regime of inflation minus 7.5 per cent is tough, but with BT's scope for cost savings, not impossibly so. Given that, the risk of going to the Monopolies and Mergers Commission was simply too great. The market may now take heart from the stability this agreement will bring. In current conditions even reduced earnings prospects can seem attractive when combined with a strong balance sheet.

There is also much to be said for leaving others to fight your battles. Privatised companies may feel that regulation is becoming too autocratic and interventionist, but they can rely on such issues being raised by the MMC's investigation of British Gas. The differing routes chosen by BT and British Gas highlight which can more easily cope with pricing restrictions.

Serbia opens up camps

Continued from Page 1

resolution "will make it possible to [deliver aid] peacefully and without any use of military force". But he said "military measures would be contemplated ... as a last resort", if the UN vote authorising force to protect the aid efforts failed.

Nato is likely to discuss this issue on Friday when all 16 member states meet to consider contingency plans for the possible use of force in Bosnia.

Banks act to prop up $

Continued from Page 1

equity markets. Over the past week, Wall Street has fallen, while Tokyo's 225-share Nikkei index has slumped to levels last seen in early 1986.

Yesterday, it dropped below 15,000 to close at 14,822.56, down 243.78.

The support for the dollar boosted European equities.

German shares moved ahead in after-market dealings, while in London, the FT-SE 100 index closed at 2,309.6, down 16.1 points, but well up on the day's low of 2,294.7.

Wall Street was weaker, however, with the Dow Jones Industrial Average down 12.15 points in the early US afternoon at 3,325.43.

International Paper to invest in Poland

By Karen Zagor in New York

INTERNATIONAL Paper, the US forest products group, yesterday announced its first venture in eastern Europe with the acquisition of an 80 per cent stake in Poland's second-biggest paper manufacturer.

International Paper will pay $120m for its stake in Kwidzyn Pulp and Paper Company. It will also invest a further $175m over the next four years as part of a programme to modernise and expand the company and improve product quality and environmental controls.

Mr Janusz Lewandowski, Poland's minister of privatisation, said: "After completing an extensive tender process and carefully evaluating proposals from a number of international bidders, we are determined that International Paper's offer was in the best interest of Poland, the company, its employees and customers, and the local community."

Kwidzyn, which started production in the early 1980s, recorded sales of Zl 930bn ($71.5m) in the first five months of this year and pre-tax profits of Zl 45bn. It is Poland's only integrated bleached pulp and paper company.

The move comes as International Paper has started to look further afield for acquisitions, after expanding aggressively in the US and western Europe in the 1980s. About $4bn of the company's annual sales of roughly $13bn comes from western European operations.

International Paper has undertaken not to make any Kwidzyn employees redundant in the next 18 months and to maintain existing social benefits. In the US, International Paper ran into trouble with its unions in 1987 over proposed cuts in wages and benefits which resulted in a lock-out at one mill and a 16-month strike at three others.

Mr George Adler, an analyst at Smith Barney Harris Upham in New York, described the investment as "very interesting. This seems to be a fairly modern mill – the first machine was put in there in 1985.

"But it is running well below capacity and I think International Paper can improve upon it. I think the cost structure of the mill is competitive with the south-east of the US, which is one of the most competitive areas in the world."

Mr Michael Amick, president of International Paper in Europe, said the Polish plant had enormous potential. When the modernisation programme is finished, "the mill will be up-to-date and will manufacture the highest quality uncoated white papers, newsprint and coated folding carton board available anywhere in Europe," he said.

World Weather

City		°C	°F
Ajaccio	S	29	84
Algiers	S	30	86
Amsterdam	F	19	66
Athens	S	34	93
Bahrain	S	36	97
Bangkok	C	33	91
Barcelona	F	27	81
Beijing	C	29	84
Beirut	S	29	84
Belfast	F	13	55
Belgrade	S	32	90
Berlin	F	23	73
Biarritz	R	17	63
Bombay	T	25	77
Bordeaux	C	23	73
Boulogne	F	19	66
Brussels	F	21	70
Budapest	S	27	81
Buenos Aires	F	16	61
Cairo	S	35	95
Cape Town	S	19	66
Caracas	C	28	82
Casablanca †	S	24	75
Chicago †	S	21	70
Cologne	F	21	70
Copenhagen	S	11	52
Corfu	S	35	95
Dallas †	S	27	81
Dublin	C	17	63
Dubrovnik		–	–
Edinburgh	R	13	55
Faro	S	30	86
Florence	F	27	81
Frankfurt	F	24	75
Geneva	S	23	73
Gibraltar	Fg	22	72
Glasgow	F	17	63
Helsinki	S	30	86
Hong Kong	C	31	88
Innsbruck	S	22	72
Inverness	R	15	59
Islamabad	F	29	84
Istanbul	S	30	86
Jakarta	C	32	90
Johannesburg	S	12	54
Lisbon	S	24	75
London	F	19	66
Los Angeles †	S	21	70
Luxembourg	F	20	68
Madeira	S	24	75
Madrid	S	28	82
Majorca	S	30	86
Malaga	S	26	79
Malta	S	33	91
Manila	C	32	90
Melbourne	C	14	57
Mexico City	C	18	64
Miami †	S	28	82
Milan	S	27	81
Montreal †	C	21	70
Moscow	S	24	75
Munich	F	23	73
Nairobi	F	19	66
Naples	S	30	86
Nassau	C	32	89
New Delhi	F	31	88
New York †	S	26	79
Nice	S	27	81
Nicosia	S	33	91
Oporto	S	21	70
Oslo	C	19	66
Paris	C	22	72
Prague	F	21	70
Reykjavik	S	13	55
Rhodes	S	29	84
Rio d'Janeiro	C	27	81
Rome	S	29	84
Salzburg	S	23	73
S'Francisco †	S	13	55
Seoul	R	28	82
Singapore	F	31	88
Stockholm	F	20	68
Strasbourg	F	19	66
Sydney	S	18	65
Taipei	F	34	93
Tangier	F	25	77
Tel Aviv	S	32	90
Tenerife	S	25	77
Tokyo	F	27	81
Toronto †	S	16	61
Tunis	S	33	91
Valencia	S	29	84
Venice	S	28	82
Vienna	F	25	77
Warsaw	C	22	72
Washington †	F	24	75
Zurich	F	24	75

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

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INSIDE

British Airways recovers to £91m

British Airways' pre-tax profits recovered in its first quarter from £9m to £91m ($174m) after heavy cost-cutting and a return to more normal trading following the depressed demand since the Gulf war. Further growth was held back by poor sales of first and business class seats, said the airline. Lord King (left), chairman, said: "Continued economic difficulties in several major markets meant premium traffic remained depressed, although some strengthening is being seen in the second quarter." Page 20; Lex, Page 14

Harsh times for Canada's mines

One after another, western Canada's coal mines are confronting the painful reality that high-cost producers are usually the heaviest casualties in an over-supplied market. Financial restructuring, labour confrontation, pleas for lower taxes and protracted negotiations with suppliers are the order of the day in British Columbia, as the coal producers seek to improve their competitiveness by bringing down costs. Page 22

Pakistan shares lose lustre

Pakistan's stock market, after a buoyant 1991, hit trouble in July and fell 15.8 per cent in dollar terms, the worst decline in the emerging markets list from the World Bank. Back Page

Degussa increases 15%

Degussa, the German metals, chemicals and pharmaceuticals company, yesterday reported pre-tax profits up 15 per cent to DM164m ($111m) in the nine months to June. The company expected the benefits of a restructuring and cost-cutting plan to produce better profits for the final quarter of the year, compared with the same period last year. Page 16

Saatchi back in the black

Saatchi & Saatchi, the advertising company, returned to profit with a pre-tax surplus of £11.1m ($21.3m) in the first half of 1992 against a loss of £32m. Mr Robert Louis-Dreyfus, chief executive, said: "It is nice to be in the black." Page 20

Discounting rumours

Rumours of discounting have undermined the shares of holiday groups such as Owners Abroad and Airtours. While everyone agrees that this year's holiday market has grown, it seems the tour operators' forecasts, made some 18 months ago, were optimistic. However, Mr Geoffrey Stone, finance director of Owners Abroad, said "discounting in the high season is never heavy" and that reports of overcapacity had been overstated. Page 16

Mixed bag from US sales

The US retail sector is having mixed fortunes. JC Penney, the large department store group posted after-tax profits of $80m in the 13 weeks to July 25, compared with $31m in the same period a year ago. Sales rose 9.6 per cent on the same period a year ago. However, The Limited, the fashion retailer, had a "disappointing" second quarter. After-tax profits were flat at $80.1m compared with $79.2m. Page 17

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
AG Ind	559	-	16
Beiersdorf	690	-	25
GEHE	425	-	29
Heidelb Zem	632	-	38
Lahmeyer	610	-	20
Varta	330	-	13

NEW YORK ($)			
Rises			
Ford	41 3/8	+	1/8
Falls			
America Online	13 1/4	-	1 1/4
Ericsson	20 7/8	-	1
Gen Motors	37 5/8	-	1/4
Penney	70 5/8	-	1 1/4
US Surgical	73	-	7

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Imm De France	733	+	17
Falls			
Cap Gemini	194	-	14.3
Cr Fonc	757	-	35
Paribas	386.5	-	10.5
UAP	388.5	-	11.2
Valeo	753	-	11

TOKYO (Yen)			
Falls			
Haruwa	928	-	142
Icetan	1140	-	200
Jujiya	262	-	42
Yionlz	226	-	40
Kyoei Tanker	250	-	40
Nippon Shindo	170	-	24

LONDON (Pence)							
Rises				Eurocamp	275	-	13
BM	100	-	17	Helical Bar	83	-	7
Crown Eyeglass	163	+	18	Howard	10 1/2	-	3 1/2
Davies Newman	20	+	7	King&Shaxson	56	-	6
Dunhill	386	+	12	Laing (J) A	113	-	7
Higgs & Hill	42	+	5	Lambert Howth	385	-	18
IMI	222	+	8	Learmth Burcht	113	-	7
Kwik Save	665	+	15	Low (Wm)	170	-	12
MacallanGlnlv	178	+	10	Manders	213	-	22
Spring Ram	118	+	7	Northrn Foods	232	-	11
Wier	470	+	14	Queens Moat	65	-	5
Falls				RTZ	525	-	29
Cowie (T)	115	-	4	Rexmore	23 1/2	-	5
EMAP	257	-	11				

Hopes for creditors as Mexican group pays $499m for Del Monte Fresh Produce

Polly Peck finds buyer for fruit side

By David Barchard and Peter Pearse in London

A MAINLY Mexican investor group has agreed to pay $499m in cash for PPI Del Monte Fresh Produce, the fresh fruit side of Polly Peck International, the fruit and electronics conglomerate which collapsed in October 1990.

The deal represents the last hope of securing a large amount of cash to pay the group's 23,000 creditors. Sources close to the group's administration said it still seemed likely that most creditors would only get a payment of between 3p and 11p in the pound.

The investor consortium is led by Grupo Cabal of Florida, the holding company of Mr Carlos Cabal which holds a controlling interest in Banco BCH, the eighth largest commercial bank in Mexico.

Grupo Cabal, a diversified business group, is already a leading producer of bananas in south-east Mexico.

Other members of the consortium include Nacional Financiera, the Mexican government development bank with assets of $20bn, and other strategic investors. Nacional Financiera may put up around 10 per cent of the total.

Mr Harold Schenker, executive vice-president of PPI Del Monte Tropical Fruit Company, said he was happy with the deal, which would be closed "in a couple of months".

Mr Schenker said that when Del Monte was put up for sale, there had been "more than 10 bidders", but that towards the end the number of finalists had been "less than five". Of these, some were investor groups and some were fruit companies.

The administrators, who abandoned long-standing plans to float part of PPI Del Monte on the New York Stock Exchange in the spring amid worsening conditions in the banana market, were advised on the sale by Goldmann Sachs International.

The price paid by Grupo Cabal is well below the $875m paid by Polly Peck for PPI Del Monte three years ago, but that figure included nine ships which were subsequently sold off.

The management and structure of PPI Del Monte will remain "unchanged and intact" after the sale, Mr Schenker said.

The company is the second largest marketer of pineapples in the world and the third largest banana marketer. Its annual turnover is a "bit under $1bn", Mr Cabal said.

The sale of Del Monte may now open the way for the administrators to resolve the future of the remaining parts of the group.

Fokker falls by 37% in first half

By Ronald van de Krol in Amsterdam

FOKKER, the Dutch aircraft maker in which Deutsche Aerospace (Dasa) of Germany is to take a 51 per cent stake later this year, yesterday blamed higher interest charges for a 37.5 per cent decline in first-half profits and for an expected fall of more than 50 per cent in full-year results.

First-half net profit fell sharply to Fl 26.3m ($15.9m) from Fl 42.2m the year before, as net interest costs jumped to Fl 56.9m from Fl 38.9m in the first six months of 1991.

The increase in interest payments – which reflects delays in deliveries of completed aircraft as well as a slowdown in the receipt of new orders and advance payments – is also expected to cause 1992 net profits to fall to about Fl 40m from Fl 87m the year before, the company said.

Mr Rennie Hendriksen, Fokker's finance director, said the company had arranged new credit facilities of Fl 1bn with a consortium of Dutch and British banks.

The rise in first-half interest charges was also partly the result of the postponement of a planned Fl 500m issue of shares. Under an agreement reached last month, Dasa will now take up the entire share issue as well as buy the 32 per cent stake in Fokker held by the Dutch government.

The exact price which Dasa will pay for these Fokker shares has not yet been fixed.

In response to questions, Mr Erik Jan Nederkoorn, Fokker's chairman, said prices frequently quoted in the Dutch press, such as Fl 38 per share, were "low".

Fokker's shares have recently fallen to around 12-month lows of Fl 22, partly because of the fact that Dasa will not be launching a public bid to attain its controlling 51 per cent stake.

Minority shareholders have criticised the deal because their shares will be worth less than the government will receive for its holding.

However, Mr Hendriksen said the transaction "was not a dilution but an enrichment".

He said that Dasa, as part of the Germany's Daimler industrial group, would be able to provide financing for Fokker, thereby avoiding the need for large interest payments in future.

UK broker warns top analyst over book

By Robert Peston in London

UBS Phillips & Drew, the leading City of London securities house, has asked the head of its UK research department to cancel publication of a book which is critical of the accounting techniques used by many of the UK's biggest companies.

Mr Terry Smith, one of the best-known analysts in the City, has been told by senior P&D executives that his future at the firm is in doubt if the book is published. P&D did not comment on the dispute yesterday.

Mr Smith yesterday met Mr Rudi Mueller, head of the UK operations of Union Bank of Switzerland, the biggest Swiss bank and owner of P&D.

The book, called "Accounting for Growth", is an expanded version of research published by P&D in January 1991, which highlighted a number of accounting techniques used by companies to boost the level of profits they disclose or minimise the level of borrowings shown on their balance sheets.

In the book, due to be published in mid-September, Mr Smith highlights 12 commonly used accounting techniques with the following characteristics:

- They may allow a company to declare a profit, even though there is no cash being generated.
- They may allow a company to generate a profit at the expense of the strength of the balance sheet.
- They may tend to disguise the extent of a company's exposure to borrowings.

Mr Smith examined the accounts of the UK's 200 biggest quoted companies to see which were using the techniques. He stresses in the book that there is no implication of any impropriety if a company uses any of the techniques.

P&D has been embarrassed by reports about the book, which appeared in the Mail on Sunday newspaper, and Accountancy Age, the specialist periodical. These articles highlighted Grand Metropolitan as the company which used more of these accounting techniques than any other.

Grand Met, which has a banking relationship with UBS, was so annoyed that Sir Allen Sheppard, chairman of the drinks and foods group, contacted Mr Mueller to complain about the articles.

A spokesman for Grand Met said yesterday that P&D had assured Grand Met that the book represented Mr Smith's private opinions and not those of P&D. However, the draft dust-jacket of the book contains the UBS P&D logo.

Investment institutions, polled by the financial news group Extel, voted the original P&D research as the best piece of analysis produced in 1991.

IRI		Eni		ENEL		INA	
Sales	*L79,901 bn	Sales	L50,883 bn	Sales	L27,221 bn	Premiums	L5,353 bn
Profits	-L312 bn	Profits	L1,081 bn	Profits	L229 bn	Profits	**L19.9 bn
Debt	L60,330 bn	Debt	L23,000 bn	Debt	L32,170 bn	Debt	nil
Investment	L17,805 bn	Investment	L9,327bn	Investment	L10,897 bn	Investment	L5,300 bn
Employees	408,066	Employees	130,000	Employees	109,860	Employees	10,650

* excludes banks ** after special advance property tax & re-distribution to policy holders

Shake-up for the big sell-off

Haig Simonian on changes to Italy's public sector companies

Milan's merchant bankers have been using words such as "revolution" and "earthquake" to describe the government's plans, announced last Friday, to shake up Italy's four biggest public sector companies.

The plans, announced by the prime minister, Mr Giuliano Amato, include cutting the boards of the four, recently transformed into joint stock companies, to three members, and handing over decision-making to the government.

The bankers' comments contrast with the cautious optimism with which they earlier greeted the programme to privatise the four groups: IRI, the industrial holding company; Eni, the energy and chemicals group; ENEL the electricity generating authority; and INA, the insurance concern.

The latest changes involve the abolition of the committees and boards composed of up to 15 political placemen, chosen to reflect the balance of power between the governing parties. Instead, the new slimline boards comprise the existing, politically appointed, chairmen, with reduced executive power, a new post of managing director (to be filled internally) and a senior civil servant.

Future acquisitions, disposals or flotations will be decided by shareholders' meetings. This means the treasury, now the four groups' single shareholder, will have the ultimate say.

The groups now have the legal and management frameworks to prepare for flotation. Mr Amato said he wanted to create a "big Italian national industry", open to foreign participation. Once floated, the companies would close the gap between a few big public-sector groups and a handful of quoted private-sector counterparts. However, it could be some time before the government starts to dispose of the assets over which it now has control. This month the treasury appointed a committee of six economists and bankers to report on the scale and timing of sell-offs. Their findings are not due before the end of next month.

Mr Amato has already said the move towards the market will affect the four groups differently. IRI and Eni face the biggest changes. Unlike ENEL and INA, which are single product companies, they comprise huge conglomerates. An imminent reorganisation is planned leaving "some parts stronger and disposing of others", said Mr Amato.

IRI, which accounts for about 5 per cent of Italy's gross national product and employs almost 410,000, is set for major surgery. It controls offshoots such as the Ilva steel group or Alitalia, the state airline, while subsidiaries such as STET in telecoms and SME in foods are substantial sub-holdings in their own right.

Some IRI subsidiaries, for example Banca Commerciale Italiana (BCI) and Credito Italiano, two leading banks, are already quoted, as are its telecommunications interests. IRI planned to dispose of assets and cut its stake in others prior to last week's announcement. With consolidated debts of around L60,000bn, ($54bn) it has been facing a growing financial crisis.

Direct grants from the treasury, IRI's traditional source of funds, have dried up under the government's attempts to cut the huge budget deficit and tighter European Commission supervision. Meanwhile, interest charges have surged, while IRI has been reluctant to axe subsidiaries' investment programmes.

Earlier this year, the group raised L480bn by selling its 52 per cent stake in its Cementir cement unit. Funds have been raised by reducing stakes in its bank and telecommunications units. And in November, Finmeccanica, the sub-holding controlling IRI's engineering and aerospace interests, will make its stock market debut. Next year, IRI may even hope to float loss-making Ilva.

IRI's most obvious disposals under accelerated privatisation are likely to be jewels such as BCI, Credito Italiano and parts of SME, with further reductions in telecoms and the disposal of Finsiel, its big software arm.

A big placement, notably of IRI's shares in either bank, would send a powerful signal to the markets of the government's determination to privatise.

Eni is in better financial shape than IRI. Agip, its oil and gas exploration business, and Snam, its gas pipeline subsidiaries, are profitable and already destined for flotation early next year.

Other parts of Eni could also be sold relatively fast. First to go could be its remaining stake in Italgas, its retail gas distribution operation, which is already quoted and followed abroad. More specialist energy-related operations could be sold.

Floating Eni is less appealing. Not all its empire is in the black. The EniChem chemicals operation lost L742bn after minority interests last year and is still suffering from the sectoral downtrend. Among Eni's activities are a loss-making Milan newspaper and a big property portfolio.

Merchant bankers see ENEL as an obvious privatisation candidate, although not for a few years. A key to ENEL's appeal will be government willingness to liberalise tariffs, which will determine profitability.

Liberalisation could also be important for INA, which may be the easiest to privatise. The company, one of Italy's biggest insurers, also controls the quoted Assitalia insurance group and owns stakes in state-sector companies including Banca Nazionale del Lavoro and Istituto Mobiliare Italiano.

With the government winding down this week for a brief holiday and the treasury awaiting the privatisation committee's report, bankers are not expecting any action in a hurry.

Mr Piero Barucci, treasury minister, has delayed meeting merchant bankers until the report is ready.

The group may be looking at more innovative solutions than straight disposals, including issuing bonds, convertible into the shares of state-owned companies due for privatisation. That would boost receipts from the start without forcing the government to rush sales or overwhelm the relatively limited domestic equity market.

Some bankers are betting on a cautious programme, based on deals in the pipeline, perhaps with one spectacular placing, like the full-privatisation of BCI or Credito Italiano.

"We want to make sure we create the right atmosphere for future sales," says a senior official.

Strong sales help PolyGram rise 16%

By Angus Foster in London

POLYGRAM, one of the world's top three music companies, yesterday announced a 16.3 per cent increase in interim profits helped by an improvement in North America and strong sales from recording artists such as Lionel Richie, Elton John and Kiri te Kanawa.

The company, which is 80 per cent owned by Philips and listed in the Netherlands and the US, reported net income after tax and minorities of Fl 171m ($102m) in the six months to June 30, up from Fl 147m.

PolyGram's shares closed Fl 1 higher at Fl 45.50.

Mr Alain Levy, chief executive, said the results were pleasing, especially as European markets were affected by recession. The performance was in sharp contrast to that at Philips, which last week announced a 63 per cent fall in interim net profits because of price-cutting in consumer electronics.

PolyGram increased sales 10.1 per cent to Fl 2.98bn. North America's proportion of group sales rose 4 per cent to 22 per cent and a number of the company's artists had successful hits. Mr Levy said margins also improved, but remained below those for other main markets.

Compact disc sales continued to increase at the expense of cassettes and records. CDs accounted for 67 per cent of units sold in the period, compared with 58 per cent for last year. LP record sales fell from 7 per cent to 3 per cent.

PolyGram has started production of pre-recorded digital compact cassettes (DCC), which Philips plans to launch later this year as the new generation for recorded tapes. Sales are not expected to become significant before 1994.

The company's move into low and medium-budget films, announced last year, had mixed results.

The eponymous film about Jack Ruby lost "a couple of million US dollars", Mr Levy said. He said he hoped the division would break even next year.

Really Useful Holdings, Sir Andrew Lloyd Webber's music company in which PolyGram holds 30 per cent, performed well, the company said.

Net income per share increased 17.4 per cent to Fl 1.01. The company does not pay interim dividends. For last year it paid a final dividend of Fl 0.60 on earnings of Fl 2.62 per share.

GA seeks £300m in share capital for expansion

By Richard Lapper in London

GENERAL Accident, the third largest composite (general and life) insurer, yesterday announced it aimed to raise capital to finance possible expansion after posting a significant improvement in the first six months of 1992.

Pre-tax losses fell to £21.2m ($40.2m)compared with £105.2m at the halfway stage last year. Perth-based GA recorded a profit of £9.5m in the second quarter and maintained its dividend at 9.7p per share.

The company is to seek shareholders' approval to issue up to £300m in preference shares. This is designed to reduce debt and increase GA's leeway to augment its premium income at a time when insurance rates are rising in most of its main markets. Mr Nelson Robertson, chief general manager, ruled out any sudden expansion but added that the company did not want "to feel unduly restricted" as profits came through.

An issue of £100m would boost solvency (net assets as a percentage of non-life premium income) to 40 per cent from 37 per cent and to reduce its debt, which stands at £610m. Debt of £250m is due for rescheduling next spring.

The announcement, which follows a £100m issue by Commercial Union in May, is a further sign of improved trading conditions for UK insurers. Companies such as GA, CU and Guardian Royal Exchange, which lack large exposure to mortgage indemnity business – where analysts forecast an upward revision of losses in view of the continuing slump in the housing market – are particularly well placed.

At GA, a sharp reduction in underwriting losses to £216.3m, compared with a £288.9m loss in the same half last year, underpinned the improvement. Long-term profits fell to £14.6m (£15.5m loss). Estate agency losses rose to £9.9m (£8.4m loss) and net investment income to £190.4m (£176.1m).

UK underwriting losses were reduced to £104.8m (£178.4m loss), following cost-cutting and a more selective approach towards underwriting.

UK staff numbers have fallen from 8,000 to about 6,500. The number of policyholders in the loss-making motor sector has fallen by about 20 per cent.

Lex, Page 14

Ymos plans to restructure finances

By David Waller in Frankfurt

YMOS, the large German car components manufacturer which lost nearly DM200m ($136.9m) last year largely as a result of balance sheet fraud, yesterday announced a complex capital restructuring.

The plan is to restore the group's equity capital to the DM140m level it was before it was wiped out by the combined effects of fraud and operating losses, the details of which were revealed to shareholders in June.

In a two-stage restructuring, the company will cut its basic share capital from DM67.5m to DM6.75m. Capital will then be built up again through the issue of 2.025m new shares at DM95 per share. As a result, the company's capital will be restored to DM143m. Minority shareholders will have the chance to buy the new shares on the basis of 15 for every one already held.

Ymos warned yesterday that despite profits during the first six months of the year, the result for the whole year would be "clearly negative".

Mr Gerhard Krischer, chief executive, predicted that shareholders would be receiving dividends after the rationalisation phase, which he said would last another two years.

Sales climbed 11 per cent in the first half. Last year, they amounted to DM660m.

O&Y dispute focuses on New York towers

By Bernard Simon in Toronto

THE WORLD Financial Centre in New York is emerging as the focus of Olympia & York's efforts to keep its US buildings out of the bankruptcy protection which has engulfed the troubled developer's operations in Canada and the UK.

Three disputes have surfaced between O&Y and its creditors over loans relating to the 44-storey Tower B of the 7.6m sq ft World Financial Centre.

Some of the lenders predict O&Y has little chance of settling these disagreements without seeking court protection.

Talks broke down last week with a group of eight banks led by Morgan Guaranty and Bank of Montreal which advanced $160m on security of a pledge of O&Y's partnership interest in Towers A and B of the World Financial Centre, as well as four other buildings in New York and Los Angeles.

The Morgan group has threatened legal action to seize rental income from these buildings in excess of amounts required for debt-service and maintenance payments.

An O&Y spokesman said yesterday, however, that the company views the threat merely as "another step" in negotiations towards a debt restructuring. All payments on the $160m loan remain up to date.

The Morgan dispute stems from O&Y's failure to pay $62m in interest last March to a group of Japanese institutions led by Nomura Securities which hold the $800m first mortgage on Tower B. The World Financial Centre has a low vacancy rate and a strong cash flow, but O&Y funnelled rental income from Tower B earlier this year to prop up its ailing Canadian operations.

The Morgan group objects that O&Y is compensating the mortgage holders by paying them excess cash flow from the building, in effect putting $62m of debt ahead of the Morgan security. It wants to prevent the same happening with the other five properties. O&Y and the Nomura group have yet to reach a longer-term agreement on the missed payment.

Separately, Morgan has threatened to auction an interest-rate swap, which is classified as an O&Y asset, and forms part of the collateral for the $160m loan. The auction has been postponed several times while negotiations continue, but is now scheduled to take place on August 28.

Debt payments on the other two World Financial Centre buildings in which O&Y has a stake are understood to be up-to-date. The fourth building, Tower C, is owned by American Express.

Nine-month earnings at Degussa climb 15%

By David Waller in Frankfurt

DEGUSSA, the German metals, chemicals and pharmaceuticals company, yesterday reported pre-tax profits up 15 per cent to DM164m ($112m) in the nine months to June. This was achieved on turnover down 5 per cent to DM9.4bn.

The company said it expected the benefits of a restructuring and cost-cutting plan to produce better profits for the final quarter, compared with the same period last year. In 1990-1991, total pre-tax profits dropped by 44 per cent to DM179m, reflecting difficult conditions in many markets.

Degussa said yesterday it had cut losses in the metals sector "significantly". This sector, accounting for nearly half of group turnover, suffered through losses at the Leybold machinery subsidiary and because of a 30 per cent drop in turnover in precious metals trading, where trading volumes were significantly lower than the previous year.

Excluding the drop in precious metals trading, group turnover rose by 5 per cent, Degussa said. But it added that 3 percentage points of this were due to the inclusion of the recently acquired Arzneimittelwerk Dresden (AWD) – an east German pharmaceutical group.

Profits in the chemical division – where turnover climbed 2 per cent to DM3.54bn – picked up from the early weak months of the year. Degussa said that while prices remained under pressure volumes had at least returned to the previous year's levels.

Degussa also announced details of its expected capital increase. It will be issuing 1.08m new shares in September at DM225 per share, raising DM243m. The funds from the one for seven rights issue will be used for "general corporate financing purposes".

Swiss drugs group turns in 25.4% advance

By Ian Rodger

ARES-SERONO, the Swiss pharmaceutical group specialising in human fertility drugs, has reported a 25.4 per cent rise in net income from continuing operations to $38.6m in the first half.

Sales were up 17.2 per cent to $415m. The group said pharmaceutical sales rose 21 per cent to $363.8m, with demand particularly strong in Italy, Germany and the US.

Diagnostic product sales eased slightly to $51.3m, but excluding clinical chemistry sales, which are being discontinued, they rose 9 per cent.

The group also had a $28.1m extraordinary gain from the sale of its over-the-counter drug division in the first half.

In the second quarter, net income from continuing operations rose 25.6 per cent to $22m on sales up 18.7 per cent to $217m.

BK Vision in SFr200m one-for-three issue

By Ian Rodger in Zurich

BK VISION, the specialised investment holding company created last October by Mr Martin Ebner's BZ Bank group, is raising SFr200m ($152m) in a rights issue.

BK Vision's strategy, which has aroused some controversy in Swiss financial circles, is to hold significant stakes in a small number of banks and financial institutions with a view to influencing their management.

BK is already one of the largest shareholders in Union Bank of Switzerland. Its only other holdings at the end of April were in Leu Holding, Zurich Insurance and Banca del Gottardo. The net asset value of BK yesterday was SFr728m.

The BZ group and a small number of investors control BK through their holding of 750,000 registered shares of SFr100 par value. Another 600,000 bearer shares of SFr500 par value are held by the public.

The rights issue is on the basis of one new share for every three held at 160 per cent of par value. The bearer shares closed yesterday in Zurich at SFr950.

Mr Kurt Schiltknecht, manager of BK, said the funds were being raised because it was a good time to invest in financial institutions. "We are fairly optimistic, looking over the next two to three years. There is no risk of further monetary tightening," he said.

He added that by raising its shareholdings in financial institutions BK gained "a better position" when talking to their managers.

He denied that BK intended to use its shareholder power to seek inside information from the companies in which it invested. It was not interested in short-term price sensitive information, such as that on forthcoming profit figures or impending takeover bids.

Cambior's output up while profits decline

CAMBIOR, a fast-growing Canadian gold producer, raised output in Quebec and Alaska in the first half, but lower prices and heavy depreciation cut final earnings, writes Robert Gibbens. Output was 180,665 oz, up 26 per cent from a year earlier, but net profits were C$9m ($7.6m), or 29 cents a share, down from C$10.7m, or 38 cents a share.

Hoogovens tumbles into the red

By Ronald van de Krol

HOOGOVENS, the Dutch steel and aluminium group, fell into a net loss of Fl 49m ($29.7m) in the first six months of 1992, compared with a net profit of Fl 55m in the same period last year.

The loss confirmed the company's earlier predictions that it would see no improvement during the period.

The company, which was forced to omit its 1991 dividend after it posted full-year losses of Fl 51m last year, said it did not expect any improvement in European steel and aluminium markets in the 1992 second half.

It warned there was a "serious possibility" that results in the second half on ordinary activities would be substantially lower than they were in the first, when these activities – comprising operating profit and financial income and charges – posted a loss of Fl 70m, against a profit of Fl 73m the previous year.

First-half operating profit tumbled to Fl 35m from Fl 169m a year earlier, while financial charges widened to Fl 105m from Fl 96m. Group turnover fell 5.2 per cent to Fl 3.9bn.

The weak economic climate in Europe and competition from non-EC countries such as Russia had undermined prices for most of Hoogovens' steel products. Similar factors were at work on the European aluminium market.

Hoogovens' steel production rose in the first half from the reduced levels of the first six months of 1991, when a key blast furnace had been undergoing refurbishment.

However, the company said it would probably maintain steel production at the new lower levels introduced in June.

Aluminium production fell in the first half because of a reorganisation, aimed at refocusing the group's Belgian plant on higher added-value products.

UAP increases 20% at halfway

UNION des Assurances de Paris (UAP), the French state-controlled insurer, posted a 20 per cent rise in first-half premium income to FFr65bn ($13bn) from FFr54bn in first-half of 1991, AP-DJ reports from Paris.

The provisional figures revealed life insurance revenue rose 39 per cent to FFr32bn from FFr23bn, while casualty registered a 6 per cent gain to FFr33bn from FFr31bn.

UAP said the life advance mostly reflected the integration of Sun Life into group accounts as of January 1 1992. UAP said Sun Life boosted first-half premium income in sterling by 37.4 per cent.

INTERNATIONAL COMPANIES AND FINANCE

De Beers loses a little sparkle

Philip Gawith on the dividend cut at the S African diamond producer

The De Beers board has a quaint habit of meeting in Kimberley, the northern Cape mining town where the South African diamond producer began.

Yesterday it seemed very far removed from the country's financial centre in more than just a geographic sense as the prediction of a "significant reduction" in the final dividend sent shock waves through the Johannesburg investment community.

Although the 26 per cent fall in attributable earnings was in line with predictions, most analysts were aghast at the announcement that the final dividend would be cut. Some said this would do serious damage to the credibility of De Beers and Mr Julian Ogilvie Thompson, its chairman.

The confusion stems from the seemingly inexplicable difference between the fairly optimistic predictions De Beers was making as recently as six weeks ago about the outlook, and the much more bearish picture it has presented.

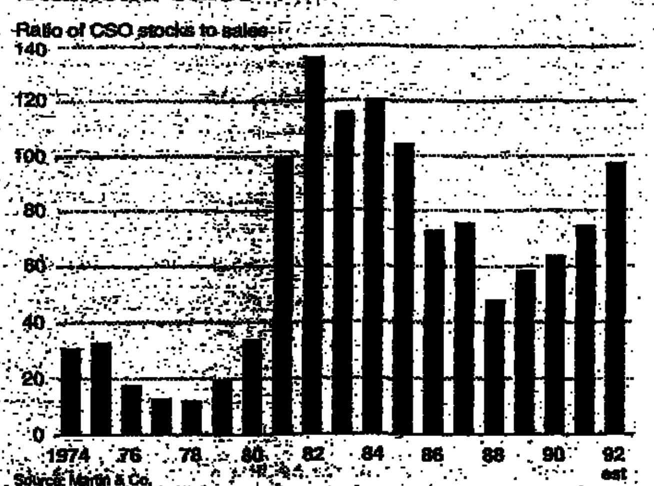
Until yesterday, De Beers had been sending a clear message that the position of the diamond market was not too bad. It told those worried about the poor results from the first three auctions of rough diamonds of the 10 to be held this year to refer to the directors' forecast. Its main point was that sales of rough diamonds in the second half of 1992 would be better than in the same period in 1991.

However, yesterday the board withdrew this prediction saying second-half sales could well be lower than during the first half.

The gravity of the group's position was emphasised by the imposition yesterday of a 25 per cent quota reduction in the diamonds bought from producers by the Central Selling Organisation (CSO) – the De Beers' organisation which markets about 80 per cent of the world's uncut diamonds.

Diamond sales

Ratio of CSO stocks to sales



Source: Martin & Co.

The directors offer two reasons for its changed forecast:

- Low retail and rough diamond sales, due to weaker than anticipated upturns in Europe and the US and the continued slowdown in Japan; and
- A "dramatic increase" in supplies of illicit diamonds from Angola. The CSO has mopped up a lot of this supply, but some of it is being sold outside of the CSO.

Recently Mr Richard Stuart of Martin & Co, the firm of stockbrokers and South Africa's leading diamond analyst, said De Beers directors would rather cut their throats than cut the dividend. Yesterday, Mr Stuart spoke for many when he said they probably had cut their throats as far as the investment community was concerned.

Aside from the damage done to De Beers's reputation, yesterday's dividend announcement casts a pall over its stock market status. Mr Charles Booth, research director of J.D. Anderson, the stockbroking firm, said that apart from being bad news for the share price – which fell by more than 6 per cent yesterday to R68.50 on the news – it also damaged the group's reputation as a quality stock whose dividend would never be cut. (The dividend has only once before been cut – in 1981). He said the market might be tempted to regard De Beers as more of a cyclical stock and to downrate it accordingly.

There was disagreement among analysts over whether it was necessary for De Beers to cut the dividend. Although some brokers had forecast a cut in the final dividend, saying the company would not have enough cash to maintain it, others differed.

Mr Stuart thought the cut unnecessary given the financial strength of De Beers, which has net assets at market value of more than R30bn ($10.9bn). He also argued that De Beers should have given the market time to adapt to the imposition of quotas before considering a dividend cut.

Some see the hand of Mr Harry Oppenheimer, the retired former chairman of De Beers, behind the forecast dividend cut. His thinking, it is reasoned, is that if De Beers is going to impose quota constraints on the industry, then it must also be seen to be taking some pain itself.

A further puzzle about the dividend cut is that it seems to be something of an over reaction. Even with the second-half forecast revised downwards, it seems unlikely that CSO rough diamond sales for the year will be much worse than $3.5bn, against $3.9bn in 1991. This compares with a near halving of CSO sales in 1981, the year of the earlier dividend cut.

Analysts caution that comparisons with the early 1980s, when the industry experienced the worst slump in its history, should be resisted. Then deflation in the world economy caused large stocks of diamonds, which had been bought as an inflation hedge, to be deposited on the market. De Beers, as a result, lost a degree of control over the supply of diamonds to the CSO.

Today, De Beers has much improved control over the supply. The difference is evident from the ratio of CSO stocks to sales which rose above 160 per cent in 1984. Last year it was 77 per cent, and even with the gloomy second-half prognosis it is still unlikely to rise above 100 per cent.

There is no comparable overhang of diamonds, excepting two problems. The first concerns the increase in supply from Angola. The second relates to De Beers's Venetia mine in the Northern Transvaal which opens in two days time. Originally the mine planned to open in a US election year, traditionally a period of firm demand in the US economy.

This calculation has clearly backfired. As a result an extra 6m carats of diamonds – Venetia's full production – will be entering the CSO, without a market and hence will have to be stockpiled.

See Lex

Australian energy unit turns round

By Bruce Jacques in Sydney

CALTEX Australia, the Sydney-based petroleum group, has returned to the black in the first half to June, helped by a big asset sale.

However, the company yesterday announced a heavy restructuring programme which will cut the workforce by almost 14 per cent.

The company turned after-tax losses of A$18.4m (US$13.6m) into A$7.9m profits on a 2.5 per cent rise in sales to A$1.64bn from A$1.59bn. The interim dividend has again been passed.

The result included a A$5.3m abnormal pre-tax profit – compared with nil previously – mostly comprising a A$7.9m profit on the sale of a crude oil carrier.

"Whilst pressures on the industry, including sustained competition, are unlikely to abate, directors are determined to see that the Caltex group will emerge as an efficient and low-cost entity," said Mr Barry Murphy, chairman and chief executive.

The result followed a reduced interest bill of A$27.3m compared with A$34.8m and depreciation of A$32.2m against A$31.3m. Tax took A$10.9m down from a A$4.5m credit previously.

Alcan Australia reduces losses in first half

By Bruce Jacques

ALCAN Australia, the Sydney-based integrated aluminium group, has come through the worldwide slump in aluminium prices with reduced losses in the first half to June.

The company's loss eased to A$6.6m (US$4.88m) from A$13.4m on a 7 per cent fall in sales to A$276.4m from A$297.2m. No interim dividend will be paid. The directors said the average aluminium price for the half was US$1,295 a tonne, down US$150 a tonne from a year earlier.

The restructuring programme begun last year resulted in a further reduction of 100 people from the workforce. A charge of A$1.3m for redundancy costs was incurred compared with A$5.6m last time, the company said.

Alcan has written off A$18.3m from its asset revaluation reserve following a valuation of land and buildings. The result followed a tax credit of A$2.7m compared with A$3.5m previously and interest costs of A$7.5m against A$9.3m.

Mixed results for US retailers

By Nikki Tait in New York

MIXED fortunes in the US retail sector were apparent yesterday when J.C. Penney, the large department store group, and The Limited, the specialty retailer, reported second-quarter earnings.

Penney, based in Dallas, fared better, posting after-tax profits of $80m in the 13 weeks to July 25. This compares with $31m in the same period a year ago, and is scored on sales of $3.79bn, up by 9.6 per cent on the same period a year earlier.

This takes Penney's sales in the first half to $7.58bn, a 10.1 per cent advance on the first six months of 1991, and net profits to $216m from $111m. The figures were helped by a $15m drop in interest charges to $61m, thanks to a debt restructuring programme.

Mr William Howell, Penney's chairman, said sales of autumn merchandise were "particularly encouraging" in the latter part of the quarter. He added that Penney still expected "favourable results" during the second half.

By contrast, The Limited, the fashion retailer which takes in Victoria's Secret and Abercrombie & Fitch, had a "disappointing" second quarter. After-tax profits were flat at $80.1m compared with $79.2m, while sales stood at $1.49bn against $1.35bn.

This takes the group's profits for the first six months to $131.6m, little changed from the previous year's $130.1m, with sales totalling $2.9bn up from $2.66bn.

Mr Leslie Wexner, The Limited chairman, admitted that consumer uncertainty had persisted, but blamed the figures on "below standard merchandising decisions".

He added that he was encouraged by early customer acceptance of the fall fashions. "While we will be able to develop a better understanding of fall when we analyse the last half of August and early September sales. I am guardedly optimistic."

Penney shares, which have risen strongly recently, dipped $1⅝ to $70¾, while The Limited lost $¼ to $19¾, close to their 52-week low.

WAL-MART Stores, the largest US retailer in terms of sales, yesterday unveiled a 21.5 per cent increase in second-quarter profits after tax, to $420.4m. The advance came on the back of a 26 per cent sales rise, to $13bn, writes Nikki Tait.

The second-quarter results take Wal-Mart's profits for the first six months, to end-July, to $807.4m, up from $652.8m a year earlier. Sales increased from $19.6bn to $24.7bn.

Earnings per share were up from 30 cents to 37 cents in the second quarter, and from 57 cents to 70 cents in the first half. The group's shares rose $¼ to $57½ on the news.

Part of the advance comes from Wal-Mart's highly aggressive expansion programme. In the second quarter alone, the discount retailer opened 20 new Wal-Mart stores and 18 Sam's Clubs – wholesale clubs which sell at rock-bottom prices to a membership customer base.

By the end of July, the company was operating 1,755 Wal-Mart stores and 233 Sam's Clubs. It covers 44 states, having recently added Idaho.

Fairfax chief executive named

By Philip Gawith in Johannesburg

MR STEPHEN Mulholland, chief executive of South African Times Media (TML), has been appointed chief executive of John Fairfax, Australia's second-largest newspaper group.

Fairfax has been without a chief executive since December, when it was acquired for A$1.4bn (US$1.03bn) by a consortium led by the Daily Telegraph, the UK newspaper group controlled by Mr Conrad Black.

Mr Mulholland's success in his new appointment will depend on the extent to which he replicates in Australia the methods he used to turn round TML. He was appointed to the company in 1986 to rescue the ailing TML, then known as South African Associated Newspapers (Saan), by Mr Gordon Waddell, then chairman of Johannesburg Consolidated Investments (JCI), the South African mining house which controlled Saan.

Mr Mulholland had been editor of the weekly Financial Mail magazine, with no previous management experience.

However, his appointment is widely seen as having been a success. He turned the company round from heavy losses to steadily increasing profits.

Fairfax publishes the Sydney Morning Herald, The Australian Financial Review, and The Age in Melbourne.

It has about 20 per cent of Australian daily circulation, compared with 70 per cent controlled by News Corporation, Mr Rupert Murdoch's US-based media group. Fairfax was put into receivership in 1990 after an abortive buy-out of family shareholders by Mr Warwick Fairfax.

Mr Mulholland will be replaced at TML by Mr David Kovarsky, the youthful chairman of Consolidated Metallurgical Industries (CMI), the ferrochrome subsidiary of JCI.

Mr Kovarsky, who has been on the TML board for a number of years, is regarded by many as a successful mining executive.

Cathay in Hong Kong air freight deal

By Simon Holberton in Hong Kong

CATHAY Pacific Airways yesterday said it had agreed provisionally with Hong Kong Air Cargo Terminals Limited (HACTL) to buy 10 per cent of the colony's monopoly handler of air freight for HK$95m ($12.31m).

Cathay said the deal was subject to HACTL being awarded an air cargo handling licence for Hong Kong's new airport at Chek Lap Kok.

If it goes through, the Swire Group, which already owns 30 per cent of the company, will increase its stake to 40 per cent.

Two weeks ago, China National Aviation Corporation (Canc) paid HK$106m for the Hong Kong government's 10 per cent stake in HACTL. Its purchase was not conditional upon HACTL's success in winning a licence to operate at the new airport.

Cathay will acquire HK$4m of shareholder's loans to the company. If the loan facilities are fully exercised Cathay's commitment could be as high as HK$30m.

If the deal, which is due on or before January 1995, goes through, Jardine Matheson will sell Cathay a 5 per cent stake, of its 30 per cent shareholding, and Wharf and Hutchison Whampoa Docks will each sell it a 2.5 per cent stake of their 15 per cent shareholdings.

Mr Peter Sutch, Cathay chairman, said cargo handling was one of the fastest-growing aspects of Cathay's business.

"This agreement demonstrates our intention to continue to be a major force in Hong Kong's air freight industry," he said.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

½ hour period ending	Provisional Price for Trading on 12.08.92: Pool purchase price £/MWh	Final Prices for Trading on 15.07.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17 71	19.30	19 30
0100	17.71	17 79	17 79
0130	17.71	17 75	17 75
0200	17 71	17 75	17 75
0230	17 71	17 75	17.75
0300	17.71	17 79	17 79
0330	17.71	17 79	17 79
0400	17 71	17 79	17 79
0430	17 71	17 79	17 79
0500	17 71	17 75	17 75
0530	17 71	17.75	17.75
0600	17.71	17 68	17 68
0630	20 17	17 75	17 75
0700	20 30	19 30	19 30
0730	21 61	26 27	27 84
0800	24 76	26.38	27 88
0830	25 99	28.31	29 90
0900	28 04	28.88	30 59
0930	28.08	29.44	31.25
1000	28 11	29 79	31 68
1030	28 13	29 92	31 81
1100	26 92	30 14	32.05
1130	28 21	30 81	32 87
1200	28 28	31.24	33.37
1230	28.24	30 85	32 88
1300	28 17	29 78	31 57
1330	26 82	28.65	30 21
1400	28 01	28 28	29 77
1430	26 00	28 16	29 64
1500	26 00	28 13	29.60
1530	25 89	32.62	34.20
1600	25 29	32.71	34.30
1630	25 30	28 35	29 86
1700	28 04	28 41	29 92
1730	28 03	28.29	29 78
1800	28 02	28.12	29.58
1830	25 27	26 32	27 72
1900	24 78	26.28	27 69
1930	23 49	25.01	26 43
2000	22 73	24.47	25.88
2030	19 98	24 47	25 89
2100	26 45	24 13	25.54
2130	29 56	27 99	29.47
2200	29 56	28 03	29.51
2230	28.00	28 03	29.46
2300	20.00	28 03	29 47
2330	18.75	21 90	21.90
2400	18 00	18.20	18.20

Prices are determined for every half-hour in each twenty four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456/89 between 8.30am and 5.15pm Monday to Friday.

INTERNATIONAL CAPITAL MARKETS

Investors cautious ahead of auction

By Patrick Harverson in New York and Sara Webb in London

US Treasury prices were mixed in light trading yesterday morning as the market cautiously awaited the afternoon auction of new government securities.

GOVERNMENT BONDS

By midday the benchmark 30-year bond was up ⅛ at 107¾, yielding 7.353 per cent. The two-year note was slightly lower at the halfway mark, however, down 1/16 at 100 1/16, to carry a yield of 4.132 per cent.

The long end received a lift early on from overseas buyers, but domestic demand was weak. Most investors seemed to be waiting for the afternoon sale of $15bn in three-year notes, which is the first leg of the Treasury's latest $36bn refunding programme.

Prices at the long end were helped by the concerted central bank intervention to help the ailing dollar. A weak dollar undermines the value of US assets held by international investors, so the intervention was good news for the market.

■ THE combination of sterling weakness and fears of higher interest rates pushed UK government bond prices lower yesterday morning, but gilts recouped some of their losses later, following the release of producer prices data.

News that the Skipton Building Society was raising interest rates on mortgages by half a percentage point depressed gilt prices, leading to fears of a base rate hike.

Gilt prices later recovered some of their early losses after the release of the producer prices figures for July showing output prices rose by 3.4 per cent in the year to July, against 3.5 per cent in the year to June.

Sterling started on a weak note, but later strengthened slightly against the D-Mark as central bank intervention to support the dollar helped ease tensions in the exchange rate mechanism of the European monetary system.

The Liffe gilt future contract opened at 96.30 – down from Monday's close of 97.04 – and fell to a low of 96.22 before trading at 97.01 by late afternoon. In the cash market, the 11¾ per cent gilt due 2003-07 fell from its opening of 115 7/32 to 115, yielding 9.45 per cent. Short-dated issues showed little change on the day.

■ JAPANESE government bonds rallied as yesterday's drop in the Nikkei stock index to below 15,000 sparked hopes of a further easing in interest rates. The Nikkei stock index dropped 243.78 points to close at 14,822.56, its lowest level since March 1986.

The yield on the benchmark No 129 opened at 5.00 per cent and moved to 4.96 per cent in Tokyo trading before closing at 4.99 per cent and trading in London at around 4.965 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	111.3968	+0.180	8.32	8.35	8.91
BELGIUM		8.750	06/02	98.4500	+0.000	8.99	9.04	8.79
CANADA *		8.500	04/02	109.1600	+0.400	7.17	7.47	7.76
DENMARK		9.000	11/00	97.3000	-0.220	9.47	9.50	9.03
FRANCE	BTAN	8.500	03/97	95.8301	-0.034	9.35	9.45	9.07
	OAT	8.500	11/02	96.5600	-0.070	9.01	9.05	8.76
GERMANY		8.000	07/02	99.7900	+0.000	8.03	8.09	7.84
ITALY		12.000	05/02	93.9300	-0.335	13.54†	13.56	13.32
JAPAN	No 119	4.600	06/99	98.7514	+0.251	5.05	5.02	5.41
	No 129	6.400	03/00	107.6946	+0.176	4.97	4.91	5.18
NETHERLANDS		8.250	06/02	99.1150	+0.005	8.38	8.41	8.28
SPAIN		10.300	01/02	90.1600	-0.160	12.04	12.08	11.45
UK GILTS		10.000	11/96	101-17	+10/32	9.54	9.61	9.10
		9.750	08/02	102-24	-4/32	9.32	9.31	9.00
		9.000	10/08	99-07	-8/32	9.09	9.03	8.80
US TREASURY *		7.500	05/02	107-09	+8/32	6.48	6.69	6.90
		8.000	11/21	107-29	+9/32	7.34	7.44	7.62
ECU (French Govt)		8.500	03/02	94.3400	+0.020	9.41	9.51	8.95

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Strong demand in Australian dollar sector

By Tracy Corrigan

A HIGH volume of redemption flows in the Australian dollar sector of the Eurobond market is fuelling demand for paper in the sector, which normally experiences a lull in August.

INTERNATIONAL BONDS

Redemptions of Australian dollar-denominated Eurobonds total A$1.1bn this month, according to Hambros Bank. The current weakness of the Australian dollar is encouraging a high level of reinvestment, but the flow of redemptions is set to tail off to about A$200m in September and October.

Following three deals last week totalling A$425m, the South Australian Government Financing Authority yesterday launched an A$125m issue of 9 per cent bonds due 2002. Investor interest is concentrated at the longer end of the market, according to dealers, due to the steep yield curve in the Australian government bond market. For example, 10-year government bonds, yielding 8.84 per cent, offer a yield pick-up of more than ½ point over seven-year government bonds.

Also, despite the decline of Australian interest rates, the government's success in curbing inflation (now at 1.1 per cent) means real interest rates are still higher than in Europe.

The SAGFA deal, arranged by Hambros Bank, was bid at less 1⅛ points, comfortably within full fees of 2⅛ points.

In the Japanese equity warrants market, Toyo Kanetsu, a manufacturing company, launched a $100m four-year issue of bonds with equity warrants attached, via Yamaichi International. The deal did not suffer from further fallsin the Japanese stock market, leaving the Nikkei index below the 15,000 level.

Most warrants are substantially out-of-the-money (that is, the exercise price is far above the current stock price), and many are expiring worthless. Scarcity value, coupled with a sense that the stock market must bounce soon, have boosted interest in new paper. The Toyo Kanetsu deal was bid at 105, above its par issue price.

In the sterling market, Compagnie Bancaire launched a £100m issue of senior, unsubordinated floating rate notes, paying interest at ⅛ point above the London interbank offered rate. According to arranger UBS Phillips & Drew, the deal was placed mainly with UK institutions.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyo Kanetsu KK♦	100	2¼	100	1996	2¼/1½	Yamaichi Intl
STERLING						
Compagnie Bancaire(c)‡†	100	(c)	100	1995	0.35/0.20	UBS Phillips & Drew
SWISS FRANCS						
Xebio Co Ltd(b)**§	70	4⅝	100	1996	-	Nomura Bk.(Switz)
Xebio Co Ltd**♦	70	3⅝	100	1996	-	Nomura Bk.(Switz)
AUSTRALIAN DOLLARS						
SAFA(d)†	125	9	101.55	2002	2⅛/1⅜	Hambros Bank

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. b) Coupon payable semi-annually. Notes carry a put option on 30/9/1994 at 109¾, to yield 6.962. c) Coupon pays ⅛ above 3 month Libor. d) Full name of borrower, South Australian Goverment Financing Authority. Non-callable.

International draft rules on capital delayed

By Richard Waters

A PROPOSED international regime governing the capital adequacy of securities firms has been further delayed, in spite of indications earlier this year that regulators in the world's main financial centres had reached agreement.

The regime, mirroring the Basle capital rules for banks, is intended to make sure investment firms have the financial resources to withstand losses, preventing a domino-like collapse in financial markets.

Iosco, the grouping of international securities regulators, and the Basle committee of banking supervisors said, in January, draft rules would be published this summer.

However, this has been delayed to October at the earliest after a recent Iosco meeting failed to endorse the proposals.

The US Securities and Exchange Commission is believed to have been among the regulatory bodies which wanted more time to consider the proposals. The SEC was also responsible for delaying an earlier attempt to reach agreement, 18 months ago.

SEC chairman Mr Richard Breeden has been concerned that the international rules would be weaker than those already imposed in the US. That would either force the SEC to water down its regulations, or leave US securities firms at a disadvantage. Issues still under discussion include the amount of subordinated debt securities firms can count as capital for regulatory purposes. Also, regulators have yet to decide on what should fall within a bank's "trading book", which will be subjected to the less stringent securities rules rather than the Basle rules for bank capital.

Part of the reason for the delay is the European Commission's draft rules on capital adequacy, which were adopted at the end of June, said Mr Roy Croft of the UK's Securities and Investments Board. Iosco members wanted more time to consider these before formalising their own plans.

Guidelines on Ecu bonds price quotations reset

By Tracy Corrigan

MARKETMAKERS have reset guidelines on price quotations in Ecu bonds, in the wake of a one-day suspension of market-making last month.

The suspension was triggered by chaotic selling of Ecu bonds, following Denmark's rejection of the Maastricht Treaty on monetary union in June, which threw the future of the currency into doubt.

Although market conditions have stabilised since then, allowing the spread between bid and offer prices on the most liquid bonds to return to 10 basis points, the market's former liquidity has not been restored.

At a meeting late On Monday, marketmakers agreed that the top 35 Ecu bonds will continue to be traded at a bid/offer spread of 10 basis points to 25 basis points in a minimum size of Ecu3m or Ecu5m. However, the top tier of bonds (those traded at a 10 basis point spread in a minimum size of Ecu5m) has been reduced to bonds issued by France and the UK. Most other large sovereign and supranational deals are also traded on a 10 cent spread, but in a minimum size of Ecu3m.

The spread for Ecu bonds issued by Italy has been officially widened to 15 basis points. Bonds totalling Ecu500m-Ecu1bn issued some time ago are now traded at a 20 cent spread.

Bonds are to be quoted on a 25 basis point spread if they are difficult credits, or are particularly hard to trade for technical reasons. Small issues are to be traded on a 50 basis point spread.

Mr David Ovenden, who heads the International Securities Market Association's Ecu sub-committee, said none of the market's 44 marketmakers had pulled out, but added that he expects "to lose about half a dozen over the next six months."

Forex dealers can buy time

James Blitz looks at computer trading systems

When it comes to dealing in the foreign exchange markets, every second counts. Now, thanks to new technology, the time it takes to make a deal will be even more precious.

A group of computer trading systems developed by Reuters, Quotron Systems and the Japanese telecommunications company, KDD, could accelerate the already furious speed at which currency deals are transacted. These systems will provide automated brokerage matching buyers and sellers electronically in the time it takes to blink.

"It will change the way currency dealers look at the world," says Mr Chris Deuters, managing director of global foreign exchange at Lehman Bros in London. "In particular, it will increase the pace of trading at moments of crisis in the market."

Automatic brokerage systems aim to increase the speed at which a trader can find a buyer. Currently, a trader contacts a known counterparty via computer or telephone, makes an offer and waits for confirmation. Alternatively, he contacts a currency broker who can match the offer with another bank's bid.

Using automated brokerage, a dealer can type on to his computer screen the price at which he is willing to sell his currency, and the system will match him automatically with an anonymous buyer.

The Reuters Dealing 2000-2 system has been operational since April and is used by about 30 banks. Quotron's Electronic Brokerage System, backed by 10 leading banks is due to become operational early next year. The systems may have a number of effects on currency trading:

- The volatility of the market could grow, increasing volumes and sharpening foreign exchange peaks and troughs. Mr Ian Doull, project director of the Quotron system, says electronic brokerage may increase volatilities hour-by-hour or day-by-day.
- Liquidity will increase. The dealing systems will reduce the commissions that banks pay to brokerage firms. The project directors of the Reuters 2000-2 system say they will charge about half of a broker's current commission for each trade.

Some foreign exchange traders are pessimistic about the future of electronic broking. The systems are technically complex, and several forex heads in London who have purchased the Dealing 2000-2 system say it is used for only a small percentage of business.

There are several reasons for caution. All the systems face the problem of ensuring the creditworthiness of counterparties. Under conversational dealing, a trader knows from the outset whether his counterparty is an acceptable credit risk. Using electronic brokerage he cannot be so sure. The trader may conclude a deal, only to be told moments later that his counterparty has insufficient credit. "Relationships are very important in the market and traders will always need to get the feel for what is happening that a machine cannot provide," Mr Doull said.

Dealers may take time to learn the new techniques. "Currency traders will be uncertain about handling the new systems in periods of heavy volume, and, until they learn how to use them, their impact on the market will be limited," said Mr Deuters.

In the immediate future, electronic broking will complement existing dealing methods without superseding them. The longer term impact is less predictable. "We don't know what impact these systems will have. We are all going into uncharted waters," said Mr Doull.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.55 pm on August 11

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	42	17
Other Fixed Interest	2	4	9
Commercial, Industrial	134	491	812
Financial & Property	42	316	441
Oil & Gas	16	20	50
Plantations	1	0	8
Mines	10	35	104
Others	17	58	56
Totals	238	966	1,497

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LIFFE EQUITY OPTIONS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Aug. 3
- Last Dealings Aug. 14
- Last Declarations Oct. 29
- For settlement Nov. 9

3-month call rate indications are also shown on this page.

Calls in Crown Eyeglass, Davies & Newman, Haemocell, Medeva, Owners Abroad, Pelon and Tarmac.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	35	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	46
BAT Inds	58	FKI	6	Lonhro	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	62	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	36	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
BT	25	Hanson	18	Rainers	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl.	44	Mountleigh	1½		

Fleming reduces buying price of Wellcome shares

By Maggie Urry

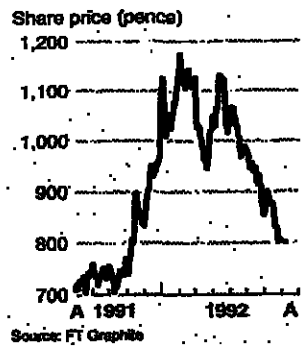
ROBERT FLEMING, the merchant bank which organised the £2.16bn sale of 270m Wellcome shares last month, has cut the price at which it was buying shares in the company from 800p to 780p.

The mid-market share price fell from 800½p to 782p.

Fleming has been stabilising the share price since the sale was concluded on July 27 by bidding for shares at 800p, the price at which the Wellcome Trust sold the shares.

However, the fall in the stock market since the issue was priced left Fleming vulnerable to sellers looking to raise cash. On Monday it had to buy 10m shares when four large institutions – two in Scotland and two London merchant banks – decided to sell stock.

After the London market closed on Monday, Fleming was understood to have instructed Morgan Stanley to cut the price it was buying back shares in New York. Fleming's bid price in London was then reduced yesterday morning. It was thought that Fleming bought less than 2m shares yesterday, under a third of the volume done in Wellcome shares.



Source: FT Graphite

The FT-SE 100 index stood at 2377.2 on the day the Wellcome tender closed and has fallen 2.8 per cent to yesterday's closing level of 2309.6. The 20p cut in Fleming's bid price is a slightly smaller percentage fall.

Under the "green-shoe" option attached to the share offer, Fleming over-alloted 40.5m shares. It is thought to have over-alloted another 10m to 15m shares giving it a short position. This enabled Fleming to buy back shares – to stabilise the price – without reducing the size of the issue.

If Fleming does not buy back all the shares by August 26, when the stabilisation period ends, it can buy more shares from the Trust to meet the over-allotment – in effect increasing the size of the share offer.

Before Monday Fleming had used up about 10m of the "green-shoe" option, and has now bought back more than half the shares it can.

The idea of stabilisation is to create a price level where there is good two-way business rather than to keep the price artificially high. Under stabilisation rules Fleming can lead the market down, but cannot push the price up unless another market maker puts its bid up first.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Armitage Bros	fin	3.4	-	3.2	6	5.7
Crown Eyeglass §	fin	4	Oct 16	3.6	6	3.5
General Accident	int	9.7	Jan 1	9.7	-	26.75
Howard	fin	0.5	Oct 14	0.5	0.5	0.5
Metal Bulletin	int	2.7	Oct 9	2.4	-	7.4
Practical Invest.	fin	2.2	Oct 13	1.965	4.31‡	3.975‡
Rea Brothers	int	0.25	Oct 2	0.25	-	0.5
Relyon	int	1.75	Oct 5	1.75	-	4.9
Rexmore	fin	1.05	Oct 7	1.55	1.75†	2.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Includes special of 1.01p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bensons Crisps, Commercial Union, Heywood Williams, Kleinwort Overseas Inv Trust, Moorfield Estates, Nichols (JN) (Vimto), North Midland Construction, Queens Moat Houses, Richardsons Westgarth, Ward Hidgs.

Finals- Brandon Hire, Siam Selective Growth Trust, Standard Platform.

FUTURE DATES

Interims-	
Aspen Communications	Sep. 14
BSG Intl	Sep. 23
Berry Starquest	Sep. 11
City Centre Restaurants	Aug. 18
Dewhirst	Sep. 1
Epwin	Aug. 24
Fairey	Sep. 7
Redland	Oct. 1
Ross	Sep. 21
World of Leather	Sep. 16
Wyevale Garden Centres	Aug. 20
Finals-	
Black (Peter)	Sep. 7
de Morgan	Aug. 19

AVIS

AVIS EUROPE LIMITED

(the "Issuer")

(a company incorporated with limited liability under the laws of England, formerly known as Avis Europe plc)

NOTICE TO

the holders of the

£75,000,000

11¾ per cent. Bonds due 1996

of the Issuer

(the "Bondholders" and the "Bonds" respectively)

The sale of the European vehicle leasing and fleet management business carried on by certain subsidiaries of the Issuer to General Electric Capital Corporation (the "Sale") was completed on 7th August, 1992. The Law Debenture Trust Corporation p.l.c. (the "Trustee"), as trustee for the Bondholders, exercised its powers under the Trust Deed dated 31st May, 1989 between the Issuer and the Trustee constituting the Bonds (the "Trust Deed") (i) to waive and authorise any breach by the Issuer of certain provisions of the Trust Deed and the Bonds resulting from the Sale and (ii) to determine that any cessation of the carrying on of the whole or a substantial part of the business of the Issuer or any Principal Subsidiary (as defined in the Trust Deed) resulting from the Sale should not be treated as an event of default for the purposes of the Trust Deed.

One of the conditions subject to which the Trustee exercised such powers was the execution of certain documents, namely:

1. a Deed of Guarantee and Debenture (the "Deed of Guarantee and Debenture") dated 7th August, 1992 between Cilva Holdings PLC ("Cilva"), the holding company of the Issuer, certain of its U.K. subsidiaries and the Trustee;
2. a Sharing Agreement (the "Sharing Agreement") dated 7th August, 1992 between, inter alios, Cilva, the Issuer, Citibank, N.A., Citicorp Investment Bank Limited and the Trustee; and
3. a Second Supplemental Trust Deed (the "Second Supplemental Trust Deed") dated 7th August, 1992 between Cilva, certain of its U.K. subsidiaries, the Issuer and the Trustee.

Pursuant to the Deed of Guarantee and Debenture, Cilva and certain of its U.K. subsidiaries have guaranteed the obligations of the Issuer under the Trust Deed and the Bonds and have granted fixed and floating charges over their respective assets to secure their obligations under such guarantees. Such fixed and floating charges are subject to prior ranking fixed and floating charges granted by Cilva and certain of its subsidiaries over their respective assets (the "Bank Security") to secure their obligations to various banks under certain loan facility and other agreements (the "Bank Facilities").

Pursuant to the Sharing Agreement, any amount received in respect of the Trust Deed or the Bonds or the Bank Facilities on or after a specified date (being the earlier of, inter alia, the date on which an order is made or resolution passed for the winding up, dissolution or administration of Cilva or the Issuer and the date upon which any right to enforce the Bank Security is exercised) is required to be paid to a trustee for distribution by such trustee pro rata according to the amounts owing in respect of the Trust Deed and the Bonds and the Bank Facilities. Accordingly, the Bondholders would be entitled to a pro rata share of the proceeds of enforcement of the Bank Security.

Under the Second Supplemental Trust Deed, Cilva has covenanted, inter alia, to ensure that at all times the amount of its Net Worth and Shareholder Debt (both as defined in the Second Supplemental Trust Deed) shall not be less than £250,000,000.

Pursuant to the Second Supplemental Trust Deed, the Issuer will on 21st August, 1992 pay to the Bondholders the sum of £7.50 for each £1,000 in principal amount of the Bonds held by them (the "Payment").

A Bondholder, other than one whose Bond(s) is/are held by Cedel S.A. ("Cedel") or Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear"), wishing to receive the Payment in respect of his Bond(s) must present his Bond(s) to a Paying Agent at any of the specified offices set out below. The Payment will be made by pounds sterling cheque drawn on, or, at the option of the Bondholder, by transfer to a pounds sterling account maintained by the payee with, a bank in the City of London.

In the case of Bond(s) held by Cedel or Euroclear, the Payment will be made through the account of each Bondholder at Cedel or Euroclear, as the case may be.

Bonds in respect of which the Payment is made will be stamped to indicate that the Payment has been made.

Copies of the Deed of Guarantee and Debenture, the Sharing Agreement and the Second Supplemental Trust Deed are available for inspection by Bondholders and holders of the interest coupons appertaining to the Bonds at the principal office for the time being of the Trustee, being at the date hereof at Princes House, 95 Gresham Street, London EC2V 7LY and at the specified office of each of the Paying Agents set out below.

PRINCIPAL PAYING AGENT

The Royal Bank of Canada
71 Queen Victoria Street
London EC4V 4DE
Telephone: 071-489 1188

OTHER PAYING AGENTS

Internationale Nederlanden Bank (Belgium) S.A./N.V.
Rue de Ligne 1
B-1000 Brussels
Telephone: 010 322 217 4040

Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal
L-2955 Luxembourg
Telephone: 010 352 47971

Bondholders whose Bonds are held by Cedel or Euroclear should contact the following for further information:

Cedel: Corporate Action Department (telephone: Luxembourg (352) 449921, telex: 2791);

Euroclear: Custody Operations Department (telephone: Brussels (322) 5191211, telex: 61025).

This notice is given by:
AVIS EUROPE LIMITED
Avis House
Park Road
Bracknell
Berkshire RG12 2EW

By Order of the Board
J.A. Nicholson
Secretary

Dated 12th August, 1992

Bass sells another 170 pubs

By Philip Rawstorne

BASS has sold 170 pubs to Marr Taverns, a London-based independent pub company headed by Mr Ron Kirk, former managing director of Mansfield Brewery.

The deal, which includes pubs in London, south-east England and South Wales, almost completes Bass's programme of 2,740 pub disposals to comply with the government's beer orders by November 1.

Since July 1989, it has sold 2,600 pubs and has agreed terms on more than another 100. "Interest in the remaining pubs to be sold is high and we are confident of reaching the target before the deadline," said Mr John Denning, Bass Taverns property director.

Higher interest bill trims Crossroads Oil

Operating profits of the Crossroads Oil Group, a USM-traded oil and gas explorer, were static at £358,222 for the year ended March 31.

Available profits fell 15 per cent to £314,732, mainly as a result of an £88,193 rise in interest. Oil and gas sales fell 18 per cent to £735,540.

Exceptional 'transfer fee' lifts Manchester Ship Canal by 63%

By Ian Hamilton Fazey, Northern Correspondent

MANCHESTER SHIP Canal yesterday reported a 63 per cent rise, from £4.79m to £7.81m, in interim pre-tax profits after exceptional credits totalling £3.05m.

Turnover for the first half of 1992 was flat at £10.5m, but operating profit improved 21 per cent to £3.17m (£2.63m).

Earnings per share were 182.5p (152.8p), but a decision on whether to pay a dividend will depend on the full year results, Mr Robert Hough, chairman, said yesterday. A dividend of 4.5p was paid last year.

Exceptionals included £2.43m from Heywoods, the ship canal's container terminal operator – in effect a transfer fee from Ellesmere Port to Seaforth in Mersey Docks, where Heywoods will start operating later this year.

Since Heywoods will take Ellesmere Port's specialised cranes with it, the ship canal will handle no more containers. However, Mr Hough said container traffic accounted for only £644,000 of turnover; most turnover came from bulk chemicals and liquids and the basic customer base was "secure", he said.

Another £800,000 of exceptionals came from Massey Ferguson, the Varity-owned farm machinery manufacturer, to buy the ship canal's rights to first option on land in Trafford Park, where Massey Ferguson has been reorganising.

The ship canal's long term worry, however, is its property portfolio in and around Salford Quays, the Port of Manchester's former disused docklands, where it has about 200,000 sq ft of new office space unlet.

The company says this is worth £2m a year in rental, which prices it at only £10 per sq ft, compared with £15-£20 for lesser accommodation in Manchester city centre.

"Since we have only 6 per cent gearing, I believe we can take a long-term view of this," Mr Hough said, although letting is "an immediate priority."

Rexmore declines to £0.9m

REXMORE, the Liverpool-based upholstery, textile and timber supplier, blamed the "lack of activity" in the furniture manufacturing and building trades for a downturn in annual profits.

Despite a promising start, the year to March 28 ended with profits of £931,000 (£1m) pre-tax, on turnover marginally ahead at £44.8m (£43.4m).

Interest charges amounted to £916,000 (£1.07m). The costs of withdrawing from the loss-making Letherens business, along with losses on the sale of Rexmore's stake in Rosebys, resulted in an extraordinary charge of £1.66m.

However, the contract furnishings side achieved record profits of £1.8m (£1.39m).

After a transfer from reserves of £1.29m, earnings emerged at 4.36p (4.75p). The final dividend is reduced to 1.05p for a 1.75p (2.25p) total.

Practical Investment asset value ahead

Practical Investment Company had a net asset value of 139.51p per share at May 31, a 9 per cent improvement on the 128.35p value a year earlier.

Net revenue for the 12 months amounted to £1.01m (£936,441) for earnings per share of 5.07p (4.68p). The second interim dividend is raised to 2.2p (1.965p) and again there is a special dividend of 1.01p.

The total payment for the year is 4.31p (3.975p).

Losses at Embassy reach £2.4m

EMBASSY PROPERTY Group has still not completed its refinancing negotiations.

In December last year the USM-quoted company announced that it had reached agreement in principle but yesterday said it was only in the final stages of negotiations.

It also reported losses deepened from £875,000 to £2.4m pre-tax in the six months to September 30.

The deficit included £1.12m of accrued interest which the company said would not have to be paid under the refinancing.

Embassy said it had reached agreement with an investor group to take up a proposed placing to raise £2.8m gross. It had completed the negotiations on the commercial terms on restructuring the large majority of its bank debt and was in the final stages of negotiating the remainder.

In the six months the construction and shopfitting companies contributed "positive returns" but housebuilding incurred a loss and property sales had been difficult.

Turnover fell to £6.33m (£10.8m) of which property development and trading contributed £778,000 (£7.36m). Losses emerged at 26.1p (8.5p).

BA climbs to £91m and meets City expectations

By Daniel Green

HEAVY COST cutting helped British Airways achieve a first-quarter recovery in pre-tax profits to £91m.

The comparable figure of £9m was depressed by the aftermath of the Gulf war.

Profits for the opening quarter, to end-June, were in line with analysts' expectations with further growth held back by poor sales of first and business class seats. BA shares fell 8p to 253p.

Lord King, chairman, said bookings for the second quarter "indicated continued strength in demand, though passenger yields would continue to reflect pressures associated with the strength of sterling and depressed premium demand, with the economics of several major markets remaining difficult.

"The airline is on track to achieve its planned £150m in cost savings in this, the second phase of its three-year gap closure programme." Last year the programme saved £265m.

Turnover in the first quarter rose to £1.39bn (£1.26bn), helped by a 15.5 per cent rise in passenger numbers. Most of this recovery was accounted for by growth in economy ticket sales.

The passenger load factor – a closely examined industry measure of how full aircraft are – rose from 69.1 per cent to 71.6 per cent. However, the revenue per passenger fell 6.5 per cent, reflecting poor sales of higher priced tickets and increased competition in fares, especially across the North Atlantic.

BA generated £93m in cash after covering financing charges and spending on fixed assets and investments. This helped cut debt to £991m – down £181m on the March year-end – and left gearing five percentage points lower at 37 per cent.

The interest charge fell from £35m to £8m, helped by lower interest rates, the weakening dollar and off-balance sheet financing of aircraft purchases.

Earnings per share on a fully diluted basis were 8.4p, against 1.4p a year earlier.

Cargo traffic suffered from the economic recession and excess capacity in the market, said the company. BA increased its cargo capacity by 11.5 per cent over 1991, but the weight of cargo carried fell and revenues were unchanged at £98m. By contrast, the company increased passenger capacity by 13.1 per cent and saw revenues from scheduled passenger services rise to £1.13bn from £1.03bn.

See Lex

Trevor Humphries
Lord King: on track to achieve planned cost savings

Canary Wharf offer considered

By Robert Peston

MR LEWIS RANIERI, the Wall Street investor, has emerged as a partner of Mr Larry Tisch, the media billionaire, in a possible bid for Canary Wharf, the east London property development.

The two investors, who expect to receive backing from investment funds, have offered to provide the £300m needed to complete the initial phases of Canary Wharf and find tenants for offices.

Their offer will be discussed tomorrow by 11 commercial bank lenders to the project, which have provided £576m in commercial bank loans. Mr Tisch and Mr Ranieri are putting pressure on the banks to decide.

Though Canary Wharf is being managed by administrators from Ernst & Young under insolvency legislation, the final decision on the future ownership of Europe's biggest office development will be made by the banks, which include Barclays and Lloyds.

Mr Paul Reichmann, who created Canary Wharf as founder of Olympia & York, the Canadian property developer, persuaded Mr Ranieri and Mr Tisch to become potential investors. If their bid is successful, they would expect O&Y to continue managing the project.

Under the terms of the Tisch/Ranieri offer, the banks would be repaid nothing until the new investors had earned a return on their £300m.

A banker said yesterday that the banks are split on what to do about the offer: "A third believe we should examine it slowly, a third think we should accept it and a third think we should reject it".

However, Mr Tisch and Mr Ranieri have hinted that they will withdraw if they do not receive strong encouragement. Some bankers are concerned that if the offer is rejected, there is a risk that Canary Wharf will go into liquidation.

Trimoco repeats no action call on bid

As Hartwell yesterday issued its official offer document, Trimoco, its target, again advised shareholders to take no action. It has promised to write to them with its views on the bid.

Hartwell is offering 17½p per share and £175 for £100 nominal of 11.5 per cent convertible unsecured loan stock for Trimoco, the Dunstable-based motor dealer.

Trimoco's shares closed unchanged at 19p.

Holmes Protection offer shunned

Holmes Protection, the US security company with a UK listing, said shareholders had taken up a very small proportion of new shares on offer as part of its debt restructuring.

Of 25.5m shares on offer at a price, after share consolidation, of 62½p, only 825,355 were taken up. The balance has gone to institutions, the company's previous lenders and Sir Ian MacGregor, the chairman.

Kleen-e-ze buys mail order company

Kleen-e-ze Holdings is acquiring Direct Choice UK for a maximum £1m through its Innovations (Mail Order) arm.

The consideration will be satisfied by up to 100,000 shares and cash. If the profit-related price is less than £175,000 Kleen-e-ze has the option to terminate the agreement.

Tangible fixed assets being acquired are valued at £65,000 and customer lists at £150,000.

Saatchi back in the black with £11m

By Maggie Urry

SAATCHI & SAATCHI, the advertising company, yesterday reported a return to profit with a pre-tax surplus of £11.1m for the first half of 1992. That compared with a loss of £32m for the corresponding period of 1991.

Mr Robert Louis-Dreyfus, chief executive, said it was the first time the company had made a profit since he joined at the start of 1990. "It is nice to be in the black," he said.

The group's shares rose 5p to 136p on the news although that was still well below the 175½p equivalent price at which Mr Louis-Dreyfus invested $3m of his own money on joining the group. He said it was "the worst financial investment I have made in my life". He has already announced plans to leave in June next year.

The chief executive said the group, which completed a recapitalisation including a £60m share issue in March last year, was now on a stable financial footing. He added that it was not planning to raise any new funds.

Net debt was £185m at the period end, and there were £26m of earnouts to be met. Mr Louis-Dreyfus said he expected it would be 1995 before the group could pay a dividend. He pointed out that revenues were showing no underlying growth, and he expected them to be similar to last year, excluding currency movements. Revenues in the half year were £354.7m (£352.8m).

That was despite the loss of some large clients in 1991 such as the Northwest Airlines account. Mr Louis-Dreyfus said that the second half of the year would suffer from the loss in the UK of Rover, the motor group. However, in the Far East, accounts worth nearly $100m (£52.3m) had been won recently.

Trading profits were £19.6m (£10.6m) showing an improvement in margins from 3 per cent to 5.5 per cent. Mr Louis-Dreyfus revealed that group margins were targeted to reach 10 per cent by the end of 1994. "There is no reason today we will not get there with flat revenues".

Staff numbers had fallen from 13,000 in 1991 to 12,300 currently, and a further 100 jobs could go in the second half through natural wastage. First half severance costs amounted to £1.4m (£6.3m). Interest charges were £10.4m (£14.6m) and there was an exceptional profit of £1.9m (loss £28m after restatement in line with the 1991 accounts).

Earnings per share were 0.7p (losses 55.6p). There were extraordinary charges of £9.4m relating to goodwill written off on the sale of YCS.

A market dogged by overcapacity

Christopher Price on the perennial problems faced by the travel industry

YESTERDAY'S falls in the share prices of Owners Abroad and Airtours has once again focused worries over the impact of price discounting on the holiday groups' revenues as the summer season enters its final leg.

Dismissing the speculation, Mr Geoffrey Stone, finance director of Owners Abroad, said that "discounting in the high season is never heavy" and that reports of overcapacity had been overdone.

But in spite of such denials, rumours of large-scale discounting have refused to go away, undermining the performance of the shares in recent months and fuelling stories of a return to the price-war days of the mid-1980s.

The problem for tour operators and industry analysts alike is that they must make their forecasts some 18 months prior to a particular season. Consequently, demand and supply figures for the 1992 summer season will have been calculated in April last year. Forecasting the right number of holidays to offer will result in less price discounting and higher revenues.

While everyone agrees that this year's holiday market has grown, there seems little doubt that the tour operators' forecasts from last year were optimistic, not surprisingly given the accepted wisdom of a consumer-led recovery.

But most analysts reckon that while many in the industry were forecasting up to 30 per cent passenger growth this year, the actual figure has been about 5 per cent. This in a market where Owners admits to increasing its holidays by 16 per cent, Airtours by 30 per cent and Thomson by an estimated 6 per cent. Between them, these three supply 75 per cent of the package tour market.

The result has been a flurry of weighty discounting, particularly in May and June, although a marked improvement has been reported in the the past four weeks.

One problem for analysts is the difficulty in obtaining hard information on the state of the market – some have been forced to visit travel agents to gauge levels of demand and discounting. Their fears were partly confirmed last week when Lunn Poly, the travel agency chain, said that oversupply would mean bargain holidays for late bookers.

Thomson, the market leader, has been the most vociferous in declaring its intent to defend its market share, even at the risk of sparking another price war. It fired the opening salvo in January, slashing £15m from 300,000 holidays. Its rivals have been forced to retaliate in order to fill their excess capacity.

While some degree of discounting is catered for in company budgets and market forecasts, it is this vicious circle of overcapacity and sliding prices that the City fears. Analysts have responded by revising forecasts and the shares have traded on low price-earnings ratios compared with the market.

Owners Abroad, whose shares crumbled from 121p on March 2 to stand at just 66p yesterday, is currently at a discount to the market of about 50 per cent. Airtours' discount is about 36 per cent, reflecting its lower operational costs and higher profits growth. Even so, its shares have tumbled from 334p at the end of April, to 215p yesterday.

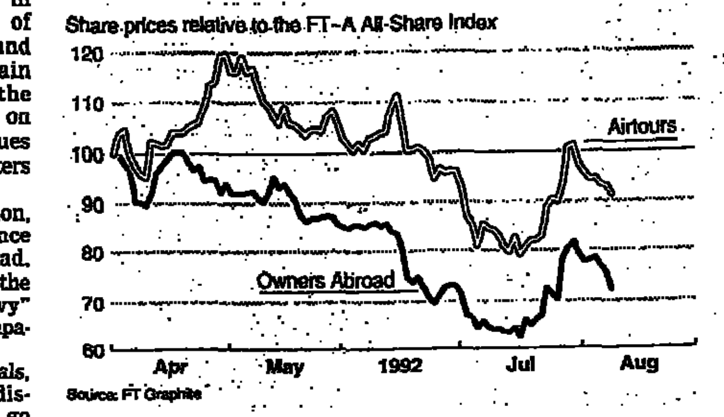
"The City is unlikely to ever give holiday companies a premium rating because of their ability to increase capacity so quickly and the low barriers to entry to the industry," says Mr Hamish Dickson at broker Hoare Govett. "It all makes for a very volatile profit line."

It also undermines the credibility of an industry trying to build confidence after the collapse last year of International Leisure Group, the UK's second biggest tour operator. But a succession of smaller highly-publicised insolvencies – such as Monday's appointment of receivers at Manchester Flight Centre – and a swirl of summer rumours that a medium-sized operator may follow suit, have not helped the industry's image, although it has to be said that those companies at risk are usually either niche players or operating outside of the mainstream of the industry.

The large established companies, such as Airtours and Owners Abroad, are cash-strong and able to withstand most of what the volatile industry brings their way.

Mr Peter Hilliar, at BZW, says: "It has always been a very cyclical industry with profit dependent on its peak periods. When discounting is low and booking high the share prices are still kept at a 15-20 per cent discount. Now their ratings have slipped back on all the old fears. The market needs to be convinced that the profits are going to be delivered."

Share prices relative to the FT-A All-Share Index



Source: FT Graphite

NEWS DIGEST

Louis Newmark loss reduced

PRE-TAX losses at Louis Newmark, the maker of electrical, mechanical engineering and specialist equipment, were reduced from £1.07m to £980,000 in the year to April 4.

The result came on lower turnover of £24.8m (£36.6m), which reflected the loss of the Swatch agency and was after depreciation of £1.16m (£1.6m).

Losses per share were 29.9p (34.8p).

AAF pays £3.3m for buildings group

AAF Industries, the modular building and alloy wheels group, has acquired Transline, a manufacturer of system buildings, from the administrator for £3.27m cash.

The deal, comprising an initial £500,000 and further payments up to January 11 next year, includes the freehold property, plant and machinery, hire fleet of some 1,500 relocatable buildings, stock, work in progress and goodwill.

AAF will also assume lease and hire purchase liabilities amounting to £280,000.

Increased deficit at Howard Holdings

An increased loss of £813,635 pre-tax was reported by Howard Holdings, the property development and plant hire group, for the 12 months to April 30.

The decline, from £494,795, came on turnover of £5.83m (£7.04m) and was struck after exceptional charges of £113,110 (£949,408).

Losses per share worked through at 2.08p (1.19p) but the single dividend for the year is maintained at 0.5p.

Relyon declines to £1.5m

Profits of Relyon Group, bedding and furniture maker, fell from £1.75m to £1.5m pre-tax for the opening half of 1992.

Turnover declined by £1m to £21m. The interim dividend is maintained at 1.75p from earnings of 4.77p (5.53p).

Pre-tax profits for the 1990-91 year fell to £2.67m (£3.24m).

Crown Eyeglass shares see 18p rise

Shares of Crown Eyeglass, the USM-quoted maker and retailer of spectacles, yesterday rose 18p to 163p on news of an 80 per cent rise, to £451,000, in annual pre-tax profits.

Turnover for the 12 months to March 29 rose from £3.4m to £3.99m. The profits took account of an exceptional provision of £56,000 and interest income of £2,000 (charge £62,000). Directors said the latter reflected the elimination of group borrowings.

Earnings emerged at 19.4p (11.2p) and a final dividend of 4p makes a 6p (3.5p) total.

Armitage Brothers advances 20%

Reduced interest charges allowed Armitage Brothers, the pet products maker, to lift pre-tax profits by 20 per cent, from £708,000 to £851,000, in the year to May 30.

Turnover was slightly lower at £21.75m (£21.81m) and operating profits slipped to £993,000 (£1.06m). The pre-tax result was after interest payments of £142,000 against £352,000.

Earnings per share improved from 14.2p to 16.4p and a final dividend of 3.4p is recommended for a 6p (5.7p) total.

Rea Brothers falls by 29% to £284,000

Rea Brothers, the banking group, reported a 29 per cent fall in pre-tax profits from £402,000 to £284,000 in the first half of 1992.

The result was helped by lower debt provisions of £90,000 (£400,000).

Earnings per share came to 0.26p (0.44p) and the interim dividend is held at 0.25p.

Metal Bulletin improves to £0.71m

Metal Bulletin, the business publishing group, reported profits of £711,600 before tax for the six months to June 30.

The advance, from £585,200, was achieved on turnover ahead to £5.81m (£5.44m).

The interim dividend goes up from 2.4p to 2.7p, payable from earnings of 5.1p (4.2p).

Costs of the move from the USM to the main market were taken as an extraordinary charge of £54,600.

PEOPLE

Penney follows Pimlott to the Takeover Panel

The last time that law firm Lovell White Durrant seconded one of its partners to the City Takeover Panel, it sent Graham Pimlott. Young Pimlott returned after the statutory two year term, but he was soon on the move again, first to Kleinwort Benson and then BZW where he now runs the corporate finance team.

Who knows, if Charles Penney, who has been seconded to the Panel as a secretary from September 21, plays his cards right he too might emerge as a leading player on the corporate finance stage.

Penney is the same age (32) as Pimlott was when he was seconded to the Panel in 1981, and he is one of a number of bright young lawyers of roughly the same age who have worked in New York as legal assistants. Penney worked there between 1986 and 1988, overlapping with David Graham of Freshfields, whom he replaces, and Allen & Overy's Mark Gearing, the other seconded secretary.

As one of the Panel's eight senior executives, Penney will help referee the City code on takeovers and mergers which is designed to ensure equality of treatment and opportunity for all shareholders in takeover bids.

Penney used to work under Pimlott, when the latter returned to White Durrant in October 1983, but plays down the similarities between them. "For a start I can't thump the table as hard as he can," jokes Penney.

Jeremy Pudney has been appointed a director of De Beers Consolidated Mines. He joined the company from the SH Benson advertising agency in 1962; he was appointed a director of the Diamond Trading Company in 1973 and a member of the executive committee of the central selling organisation in 1987. Now 54, and based in London, he has worked in various areas of the company and on secondment to South Africa. Having initially set up the department to handle De Beers' advertising, he is now responsible for marketing campaigns for diamond jewellery in 29 countries.

Non-executives

■ Sir Derek Alun-Jones (left), former chairman of Ferranti International, and now a director of Royal Insurance Holdings and chairman of Straker Holdings and Spectrum Energy and Information Technology, at TRUNKED RADIO NETWORKS, operator of the Wavelength mobile communications service.

■ Paul Forster (right), chairman and chief executive of Euro RSCG, at N BROWN GROUP.

■ Derek Fowler, chairman of BR Pension Trustee Co Ltd and of the Capita Group, and former deputy chairman of the British Rail Board, at KIER GROUP.

■ David Atterton has retired from MARKS AND SPENCER.

Tim Waterstone: "a perfect conclusion"

Tim Waterstone, founder of the eponymous bookstore chain which is now controlled by WH Smith, is staying on the board for a further year until May 1994 – after Smiths buys out his remaining shares next May – in order to develop the American market.

Alan Giles, yesterday named as Tim Waterstone's successor, joins Waterstones next month, on the tenth anniversary of the opening of the first Old Brompton Road branch, for a period to be spent getting his feet under the table before he takes over officially as chief executive next February.

Waterstone, 53, will then move to New York to ensure his name "is not used in America inaccurately". The first store, opened in Boston in October, is thriving, and another located by Chicago's Water Tower is the next, set to open in November.

"We are taking it brick by brick," says Waterstone, who first got to know Smiths from another side of the fence; he was dismissed as head of the group's US operations in 1981. "That was book distribution," he points out now, a very difficult and different business. "Anyway, this is the perfect conclusion to that irony."

Meanwhile, there will be no concessions to American book buying habits. "Either (the Waterstones style) works or we come home again." And post 1994? "I am going to be very busy," is all he will say.

Giles, who is 38 and has been with the W H Smith Group since 1979, is "very well known in the book trade", according to Waterstone, from his time as general manager of the books and news division of W H Smith books. Just over three years ago, he moved to Do It All – since formed into an as yet not too successful joint venture with Boots' Payless. He was latterly operations and development director.

FT LAW REPORTS

Digest of Trinity term

Berg Sons and Co Ltd and others v Adams and others (FT, July 10)

In the present case, a winding up of the first plaintiff, Berg Sons & Co Ltd, was made on the petition of a creditor, Union Discount. Both Berg and Union Discount alleged breach of duties owed to it by Berg's auditors, relating to an unqualified certificate signed by the auditors which, it was alleged, failed to give a true picture of the state of affairs of the company.

In Al Saudi Banque [1991], Ch 313, Mr Justice Millett held that foreseeability that a *lender might rely on audited* accounts was not, without more, enough to establish the duty of care. There had to be a specific relationship between the function which the auditor was requested to perform, and *the transaction in relation to* which the plaintiff said he had relied on; see also Caparo [1990] 2 AC 630. The statutory audit had a restricted purpose so that there was also a restriction on the scope of the duty of *care that arose simply from* carrying it out.

In the present case the person who had a proprietary interest in the company and was concerned with its control did not rely on the accounts in *order to further his business* activities and the accounts were not a critical factor for the substantial credits extended to Berg.

The Nicholas H (FT, July 15)

The owners of the cargo carried on Nicholas H began an action against the shipowners and the Japanese classification society, Nippon Kaiji Kyoshai. The claim against the owners *was settled for $500,000* (£261,800) but the action against Nippon was for the sum of $5.5m for alleged breach of a duty of care to the cargo-owners. On the facts assumed for the purposes of the preliminary issue only, it was stated that cracks had developed in the hull of the vessel and arrangements had been made for Nippon to survey the vessel at anchor. An initial survey recommended permanent repairs but only temporary repairs were carried out. The vessel then continued with its journey on the surveyor's second recommendation but it sank with all the cargo.

Mr Justice Hirst stated that the proximity criterion for a duty of care in tort was essential in the present case, particularly since there was such a wide variety of circumstances where a party not in contractual relationship with Nippon might seek to establish liability. On the assumed facts there was a very close degree of proximity between the surveyor and the cargo-owners. Although there was no direct physical control over the vessel the decisive influence on the shipowners which the second recommendation must *have had, and would reason*ably be foreseen to have, was very akin to control.

The Depositors' Protection Fund v Dalia and another (FT, July 16)

To alleviate hardship when a bank became insolvent, the Banking Act 1979 set up the Depositors' Protection Fund and money from the fund was payable to depositors on the *insolvency of a recognised* bank or institution. The fund was continued under the Banking Act 1987, under which the maximum amount of a protected deposit was increased to £20,000. After the Bank of *Credit and Commerce Interna*tional ceased trading but before it was wound up, BCCI depositors assigned part of their deposits to family members or close friends so that each assignee could look to the fund for maximum compensation payable. The transfers totalled several million pounds with more than 200 assignees.

Giving judgement for the assignees, the vice-chancellor stated that for compensation *purposes the position was the* same as with regard to a statutory assignee. There was no reason in principle why, for the purposes of the deposit protection scheme, an assignee of part of a deposit should be treated any differently from an assignee of the whole.

Kuwait Airways Corporation v Iraqi Airways and another (FT, July 17)

Kuwait Airways Corporation obtained judgement against Iraqi Airways Co for delivery of commercial aircraft and damages assessed at $489.455m. The case had arisen as a result of the invasion of Kuwait by Iraq when six Kuwaiti civilian aircraft, owned by Kuwait Airways, were flown to Iran and interned and four other Kuwaiti civilian aircraft were destroyed on the ground.

Iraqi Airways claimed immunity under section 14 of the State Immunity Act. However, in refusing a striking-out application, Mr Justice Evans stated that the scheme of the act was such that a state had no general immunity, except with regard *inter alia* to "commercial transactions". The government of Iraq had identified the *10 particular aircraft involved* as required for a civilian operation by Iraq Airways and there was no evidence to justify a finding that the purpose was governmental rather than commercial. Iraqi Airways had *been incorporated as* "being operated on a profit and loss basis" under Iraqi law. Moreover, under the Companies Act 1965, a writ had to be served on an overseas company at its registered address of any place of business established in Great Britain. In the present case the writ had been properly served on the accountant of Iraqi Airways as acting manager of its business at its Regent Street offices in London.

Napier v Kershaw (FT, July 22)

A Number of Lloyd's Names, who belonged to the Outhwaite syndicate, had formed an association to claim against RHM Outhwaite Underwriting Agencies Ltd and members' agents at Lloyd's to recover losses *attributable to allegedly negli*gent underwriting. Under a settlement in March 1992, £116m was paid by the Outhwaite defendants to Richards Butler on behalf of the Names. The defendant stop-loss insurers were joined as representatives of other Lloyd's syndicates which wrote stop-loss insurance policies for 1982 for individual Names and claimed that the Names were constructive trustees of the recovery monies, and that the amounts due to to the insurers were traceable in equity in the monies held by Richards Butler. Dismissing their appeal in part, the Court of Appeal stated that the intricacies and doctrines connected with trusts ought not to be introduced in to commercial transactions. However, in allowing in part the appeal, the Court of Appeal also stated that the Names had contended that they were entitled to recoup the excess in each policy out of recoveries. Those contentions were inconsistent with the agreement that there was to be an excess which was to be borne by them; the insurers' argument that recovery should be applied from the top down leaving the excess the last to be recouped, was preferable.

Aviva Golden

COMMODITIES AND AGRICULTURE

US orange juice prices plunge to contract lows

By Barbara Durr in Chicago

IN THE second day of a major sell-off, orange juice futures fell yesterday to life-of-contract lows on the New York Cotton Exchange.

Prices are plummeting following reports that the Brazilian harvest is larger and has begun sooner than expected. The Florida crop is also reported to be up significantly.

By mid-morning, the spot month, the September contract, had dropped 2.05 cents to 106.25 cents a lb, but the farther out contracts were all flirting seriously with the 5 cent permissible daily limit on price movements.

Analysts said that the near term fundamentals in the market were all bearish, but chart-minded traders were also joining in the sell-off. Commodity funds jumped into sell on Monday driving all contracts but the spot month to limit falls. The September spot month contract nearly reached its 10 cent limit with a fall of 8.25 cents to 108.30 cents a lb.

According to Ms Sandra Kaul of Shearson Lehman, Brazilian supplies this 1992-1993 crop year will exceed the 273.5m boxes that were forecast earlier. Florida's crop is also expected to increase to at least 175m boxes, up 25 per cent from last year's 139.8m.

If the October crop report by the US Department of Agriculture confirms the trade's perceptions about the higher Florida output, some analysts say that prices for frozen concentrated orange juice futures could plunge to just 75 cents a lb. However, the next level of support for prices is expected to come at 99 cents a lb. At that level frozen concentrated orange juice would be at a six year low.

More US futures approved

By Barbara Durr

THE COMMODITY Futures Trading Commission, the futures industry regulator, has approved three new contracts that will serve to heighten competition among US futures markets. *They include platinum* and palladium futures for the New York Commodity Exchange (Comex), although contracts for the two metals already trade on the New York Mercantile Exchange (Nymex).

The commission has also approved the application of the Chicago Board of Trade to trade a new international physical commodity index designed with the Commodity Research Bureau. The CBoT's move to trade a such a contract is aimed at competing with the Goldman Sachs Commodity Index, which started trading last month at the rival Chicago *Mercantile Exchange.*

Comex said that it expected to launch the new platinum and palladium futures as early as next month.

Mr Alan Hanson, Comex spokesman, said the exchange was consulting yesterday with the Platinum and Palladium Advisory Group on the exact times for the start of trading.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,720-1,745 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.60 (same).

CADMIUM: European free *market, min. 99.5 per cent,* $ per lb, in warehouse, 0.65-0.85 (0.70-0.90).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 20.50-22.50 (20.00-22.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.35-2.40 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 53-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, *cif, 2.00-2.15 (same).*

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.75 (same).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-4,425	to 1,314,225
Copper	+1,100	to 249,600
Lead	-25	to 150,350
Nickel	+2,298	to 40,320
Zinc	-75	to 344,275
Tin	-15	to 14,745

Tribunal backs Maori claim on fisheries

By Terry Hall in Wellington

THE WAITANGI Tribunal, the powerful advisory body on Maori affairs, has recommended that most of the fisheries of New Zealand's South *Island be handed over to the* Ngai Tahu – one of the country's smallest tribes.

The tribunal in its findings said that the government had failed in a number of ways to honour its obligations to the South Island-based tribe from the signing of the treaty *between the British and Maori* people in 1840.

These included purchasing 34.5m acres from the tribe which left them landless and with no economic base on which to fish, failure to protect and conserve the sea fisheries and an assumption that non-Maoris had equal rights with Maoris over their fishery.

The tribunal said that the Ngai Tahu had an exclusive right to fish virtually all the South Island coastline as well as a reasonable share of the 200-mile deep water fishery.

In the past similar findings have led to substantial cash settlements with the Maori tribes concerned, and observers say one in this case could be worth between NZ$500m and NZ$800m. However, a settlement much smaller than this is likely with the tribe gaining a direct share of the *resource.*

Tribunal members rejected the tribe's claim for all sea fisheries off its boundaries, equivalent to 70 per cent of New Zealand's total commercial fisheries.

Mr Jim Bolger, prime minister, said the recommendation would not be accepted in full, especially as it would favour just one small group of Maori.

Maori representatives have *emphasised that they do not* plan any compulsory acquisition of South Island fishing held now by non-Maoris.

In its finding the tribunal said allowances should be made for the serious depletion of the inshore fisheries, caused by non-Maori fishing, when working out a reasonable share of the deep water fisheries.

Ngai Tahu's 28.000 members *are already set to become the* main beneficiaries of a $120 million 10 per cent commercial fishing quota that had previously been agreed they would receive under the Maori Fisheries Act.

If the tribunal's recommendation was granted, the Ngai Tahu tribe would receive about 85 per cent of the total fishery for hoki, the major export fish.

Canada's high-cost coal mines feel the pinch

Bernard Simon describes desperate efforts to improve efficiency and competitiveness

ONE AFTER another, western Canada's coal mines are confronting the painful reality that high-cost producers usually suffer the heaviest casualties in an *over-supplied market.*

Financial restructuring, labour confrontation, pleas for lower taxes and protracted negotiations with suppliers are the order of the day in British Columbia, as the coal producers seek to improve their competitiveness by bringing down costs.

"There's a future only for a mine operating at absolute maximum efficiency," says Mr Jim Gardiner, president of *Fording Coal, whose mine* in south-east British Colombia has been shut by a strike since early May. Fording, which was hoping to ship 6.3m tonnes of coking coal this year, has demanded that its workers accept management's right to do business with non-union contractors.

Westar Mining's Balmer mine, which is among Canada's biggest coal exporters, has also been closed by a labour dispute for the past three months. Another property, Line Creek, changed hands earlier this year, and the future of several other mines is uncertain.

The province's seven major coal producers suffered their biggest losses ever last year, with a combined shortfall from operations of C$62m (£27m) and write-offs totalling another C$160m.

The adjustment process has progressed furthest at the Quintette mine in the north-east corner of the province. *Quintette, which was a* showpiece of Canadian resources policy when it opened eight years ago, was pushed to the brink of bankruptcy in the late 1980s by high costs, a heavy debt burden and the unremitting squeeze on prices.

But a financial restructuring (which left a group of banks as sizeable minority shareholders) enabled the mine to emerge from court protection earlier *this year. With the help of a* change in management, Quintette has so far succeeded in bringing down its costs by even more than its owners expected. The labour force has shrunk by 20 per cent in the past 12 months.

While strike-bound Balmer and Fording have declared *force majeure* on their export contracts, Quintette is now shipping coal at a record pace to Japanese steel mills. The mine is currently exporting over 400,000 tonnes a month, and its stocks will have dwindled to 8,000 tonnes by the end of August.

Quintette has now been overtaken by Westar as the industry's most critically ill patient. The Vancouver-based company, with debts of about C$400m, applied for court protection from its creditors in early June.

Mr Peter Dolazel, Westar's president, says the company has enough cash to last till the end of September, and has put *together a restructuring plan* which, in his words, "we believe is workable". Westar's smaller Greenhills mine is understood to be still operating normally and profitably.

'There's a future *only for a mine* operating at absolute maximum efficiency'

Besides debt relief, Westar needs at least C$75m for a new pit at Balmer. The mine's existing seam has only seven or eight years of reserves, and costs are high. The difficult mining conditions pushed Balmer's output down to 5.4m tonnes last year, from 5.6m tonnes in 1990.

A financial restructuring is necessary for Balmer but would not be sufficient to save the mine.

The leaders of the United Mine Workers local branch have a reputation for being among the most intransigent trade unionists in the North American mining industry. They rejected the recommendation by a government-appointed panel last month that the management's latest package should be put to a secret, union-supervised vote among their 1,300 members.

According to Mr Dolazel, several hundred workers have signed a petition in recent days demanding a vote.

Westar's most immediate problem however, is to hang on to its board. *Seven of its* nine directors, including the chairman, have quit over concerns that they might be held personally liable in law for severance payments to workers while Westar is under bankruptcy protection.

A British Columbian *Supreme Court* judge last week refused Westar's application to provide security for the liability of the three remaining directors. The three are now considering whether, as a last resort, they should put the company into liquidation.

The British Columbian coal producers' troubles are being exacerbated by the political and economic environment. A labour-backed government, which took office in British Columbia last September, has expressed sympathy for the industry. But in the words of one senior mining executive, it "talks both ways at the same time" by intervening with a never-ending series of review panels, mediators and commissions.

On the commercial front, the producers have received a boost this year from a weaker Canadian dollar. But they still face a market that has been over-supplied for almost a decade, and where no respite is in sight as steelmakers try to cut their use of the high-quality metallurgical coal produced in British Columbia.

Mr Richard Marshall, a Calgary coal consultant, warned *in a report last year that* British Columbia's exports of coking coal to Japan could fall from 12.7m tonnes in 1990 to as low as 6.7m tonnes by 2010.

Producers have had to accept price reductions from their Japanese customers in each of the past two years. The industry claims that its export prices have plunged by 66 per cent in real terms over the past decade.

The mines hope that domestic power-station business will take up some of the slack on the export markets. Fording and Luscar's Coal Valley mine won hard-fought contracts in competition with US producers earlier this year to supply Ontario Hydro. The mines are also pressing for cuts in provincial environmental standards to allow more coal-fired power stations.

But the industry's emphasis for the forseeable future is likely to remain on cutting its own costs, and stepping up pressure on other links in the export chain – notably the railways – to become more competitive as well.

Investors cut gold holdings, says report

By Kenneth Gooding, Mining Correspondent

EUROPEAN AND North American investors cut their gold bullion holdings by nearly *300 tonnes* in the first half of this year, according to the Metals & Minerals Research Ser*vices consultancy group.*

That is equivalent to six months output from South Africa, the world's biggest producer, it points out.

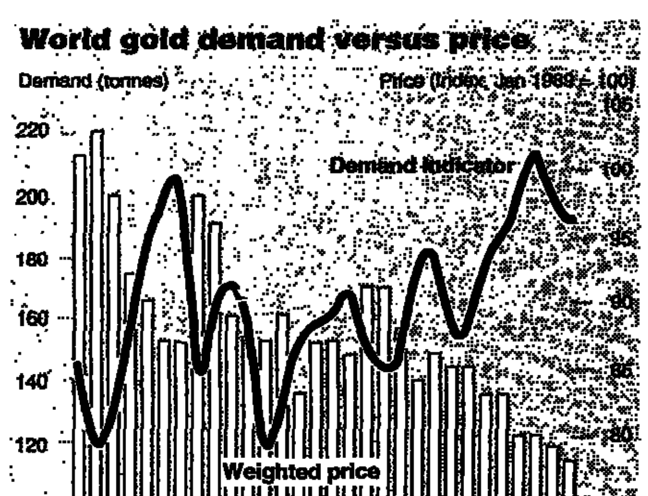
The "ease with which metal has so far been tempted away from these investors" at a time of low and flat gold prices is one important reason that prices have not been rising in spite of a substantial fall in supply and continued record *demand, says MMRS in its lat*est World Bullion Market report.

Looking ahead, it suggests that, while low interest rates and higher gold prices in recent weeks may be restraining further gold disinvestment in North America, "the opportunity cost of holding gold in Europe remains significant."

Although gold's price went up in dollar terms in July its price in most European currencies was virtually unchanged because of a weakening dollar. So "major disinvestment from Europe could well continue through the foreseeable future".

MMRS also suggests that much of the growth in demand for gold in recent years has been in high carat, low added-value jewellery and bars in the developing Asian economies. The consultancy group believes that any substantial price increase would result in a concurrent drop in demand from this area of consumption, causing prices to ease again.

World gold demand versus price



Source: MMRS

The report estimates that western world gold production remained stable in the first half of this year and that supplies from the former eastern bloc countries dropped by half to only 135 tonnes. Taking other components into account, MMRS suggests that *total gold supply in the west*ern countries is likely to fall by 7 per cent during the whole of 1992 to 2,470 tonnes.

Meanwhile, demand has remained high and "assuming no further large sales by central banks" the market should be in deficit for the foreseeable future.

Nevertheless, MMRS concludes that "while the bear market might have ended, it is *far too early to suggest* that recent dollar price gains are the start of gold's long awaited revival". It believes the gold price will move sideways for a while, "laying the foundations for a slow recovery towards the mid-1990s".

World Bullion Market, quarterly. £1,250 a year from MMRS, 2 Henry Street, Bath, Avon, BA1 1JT, England.

Rubber pact members asked for more cash

By Kieran Cooke in Kuala Lumpur

THE INTERNATIONAL Natural Rubber Organisation is reported to have asked its members for more cash in *order to increase its buffer* stock buying and shore up prices.

Mr Aldo Hofmeister, the organisation's buffer stock manager, told the local news agency here that Inro members would be asked to contribute M$150m (US$60m) in order to support further buffer stock operations. Mr Hofmeister said that Inro countries had till mid-October to come up with *the funds.*

Traders feel that the Inro action reflects increasing frustration with present pricing structures as natural rubber prices continue to fall.

At the end of last week Inro bought between 4,000 and 8,000 tonnes of Malaysian rubber and between 1,000 and 2,000 tonnes of Indonesian rubber as part of its efforts to stop prices falling.

WORLD COMMODITIES PRICES

MARKET REPORT

London **COCOA** prices were sharply down at the close, while New York continued to slide in late trading on selling tied to the market's inability to follow through on the firmness early last week. Dealers cited discouraging chart factors. *"Over the past few days, the* big question had been: was it going to drift or drop? I think today we've had our answer," one London trader said. London robusta **COFFEE** prices held steady in spite of an overnight fall in the New York arabica market. Traders were predicting *further losses in New York, with* London steadier because of tighter robusta supplies. **GOLD** tested support, but held above, $348 a troy ounce on the London bullion market. Much of the day's early flurry of activity was dictated by the weak Australian dollar, which prompted physical buying and selling of gold in that currency, one senior dealer *said. Middle East buying* was also reported earlier. New York **PLATINUM** futures fell early on the back of another drop in Japan's Nikkei stock average, sparking fears of lessening demand from the world's biggest importer, analysts said. **BASE METALS** trading on the LME *remained dull, with the summer* lull well entrenched.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.50-7.55y	-.100
Brent Blend (dated)	$19.45-9.50	-.050
Brent Blend (Sep)	$19.55-9.65	-.075
W T I (1 pm est)	$20.90-0.95y	-.100
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$219-221	
Gas Oil	$174-176	+2.5
Heavy Fuel Oil	$83-84	-1.0
Naphtha	$189-190	+1.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$348.65	-1.85
Silver (per troy oz)♣	396.5c	-0.10
Platinum (per troy oz)	$369.25	-5.75
Palladium (per troy oz)	$87.5	-0.5
Copper (US Producer)	117.0c	-0.5
Lead (US Producer)	32.18c	-7.92
Tin (Kuala Lumpur market)	15.49r	-.25
Tin (New York)	311.5c	-1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.55p	-0.80*
Sheep (live weight)†♣	73.34p	-1.96*
Pigs (live weight)†	79.30p	-2.07*
London daily sugar (raw)	$264.0w	+0.5
London daily sugar (white)	$291.5w	-2.0
Tate and Lyle export price	£245.5	
Barley (English feed)	£118.0z	-1.0
Maize (US No. 3 yellow)	£151.5	
Wheat (US Dark Northern)	Unq	
Rubber (Sep)♥	50.50p	
Rubber (Oct)♥	50.50p	
Rubber (KL RSS No 1 Jul)	220.5r	+1.0
Coconut oil (Philippines)§	$460.0t	-5.0
Palm Oil (Malaysian)§	$375.0y	
Copra (Philippines)§	$312.5	-2.5
Soyabeans (US)	£134.5	
Cotton "A" index	61.00c	-0.15
Wooltops (64s Super)	380p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct w-Aug/Sep y-Sep z-Oct/Dec. †Meat Commission average fatstock prices. * change from a week ago ♥London physical §CIF Rotterdam ♣ Bullion market close m-Malaysian cents/kg ♣Sheep prices are now live weight prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	215.00	216.00	215.20 215.00
Dec	203.00	203.00	203.00
Oct	204.00		204.00
White	**Close**	**Previous**	**High/Low**
Oct	267.20	267.50	268.00 265.50
Dec	263.20	263.80	262.50 261.50
Mar	266.50	266.00	266.50 264.60
May	270.50	269.80	269.90 268.50
Aug	275.50		274.80 273.50
Oct	266.50		265.90 264.90

Turnover: Raw 37 (43) lots of 50 tonnes. White 814 (408) Paris- White (FFr per tonne): Oct 1331.80 Dec 1324.46

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low
Sep	19.60	19.69	19.65 19.53
Oct	19.64	19.74	19.72 19.59
Nov	19.67	19.72	19.71 19.61
Dec	19.62	19.66	19.65 19.55
Jan	19.50		19.55 19.47
IPE Index	19.74	19.84	19.74 19.74

Turnover 19243 (26808)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low
Aug	175.50	176.75	176.75 175.25
Sep	179.25	179.75	179.50 178.25
Oct	182.25	182.75	182.75 181.75
Nov	184.50	185.50	185.00 184.00
Dec	186.50	187.25	187.00 185.75
Jan	186.00	186.50	186.50 185.25
Feb	183.00	183.25	183.00 183.00
Mar	179.50		179.50 179.00
Apr	176.50	176.00	176.50 176.00

Turnover 16338 (18356) lots of 100 tonnes

JUTE
August/September: C and F Dundee: BTC $395, BWC $405, BTD $360, BWD $360. C and F Antwerp: BTC $380, BWC $380, BTD $350, BWD 350.

COTTON
Liverpool-spot and shipment sales for the week ended 7 August amounted to 95 tonnes, against 128 tonnes in the previous week. Slow offtake brought relatively low demand, but support was mentioned in West African and Russian styles

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	613	637	630 612
Dec	643	668	662 643
Mar	670	697	690 669
May	688	715	709 689
Jul	709	733	727 708
Sep	727	749	744 728
Dec	750		770 754
Mar	780		797 780

Turnover: 5714 (1394) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 10 817.97 (821.26) 10 day average for Aug 11 801.98 (798.27)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Sep	721	722	729 715
Nov	741	743	747 732
Jan	755	760	760 750
Mar	771	773	777 768
Jul	795	820	800

Turnover:2635 (1096) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 10: Comp. daily 46.47 (47.03) 15 day average 47.74 (47.94)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	59.1	60.0	60.5 59.0

Turnover 165 (178) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	115.50		115.50

Turnover 128 (85) lots of 20 tonnes

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Aug	1072	1080	1075 1072
Sep	1116	1115	1116 1110
Oct	1198	1200	1200 1196
Jan	1234	1245	1234 1234
Oct	1285		1285 1285
Jan	1300		1300 1300
BFI	1057	1060	

Turnover 88 (35)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	112.50	112.85	112.50
Nov	115.35	115.75	115.35 115.10
Jan	118.15	119.45	119.15 119.00
Mar	122.15		122.15 121.90
May	125.20	125.50	125.20
Barley	**Close**	**Previous**	**High/Low**
Nov	112.70	112.70	112.70
Jan	116.40	116.40	116.40
Mar	119.00		119.00
May	121.20		121.20

Turnover: Wheat 140 (59), Barley 40 (19). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	104.0	103.50	104.0 103.6
Sep	103.8		104.0
Jan	99.0		98.5
Feb	100.0		99.0

Turnover:65 (0) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 23,666 lots
Cash	1307-8	1308-9		1306.5-7.5		
3 months	1331-2	1331-2	1333/1329	1331-1.5	1333-2	181,361 lots
Copper, Grade A (£ per tonne)						Total daily turnover 17,228 lots
Cash	1308-9	1305.5-6.5	1297/1296	1296-7		
3 months	1329-9.5	1325.5-6.0	1330/1318	1317.5-8.5	1328-9	146,830 lots
Lead (£ per tonne)						Total daily turnover 2,284 lots
Cash	368.5-7.5	342-3		336-6.5		
3 months	346-7	351-2	351/342	345.5-6.0	350-1	29,749 lots
Nickel ($ per tonne)						Total daily turnover 3,370 lots
Cash	7235-45	7250-60	7245/7240	7245-50		
3 months	7315-20	7330-5	7330/7310	7320-5	7320-5	24,949 lots
Tin ($ per tonne)						Total daily turnover 1,388 lots
Cash	6735-45	6750-5	6715/6705	6715-20		
3 months	6765-70	6785-90	6790/6730	6740-5	6780-90	12,867 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 14,133 lots
Cash	1359-60.5	1361.5-2.5		1359-60		
3 months	1353-4	1355-6	1355/1353	1354-5	1353-4	66,655 lots

LME Closing £/$ rate:
SPOT: 1.9215 3 months: 1.8894 6 months: 1.8571 9 months: 1.8288

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	348.50-348.80	
Opening	349.60-349.90	
Morning fix	348.50	180.178
Afternoon fix	348.15	181.281
Day's high	349.60-349.90	
Day's low	347.70-348.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.73	6 months	2.75
2 months	2.73	12 months	2.76
3 months	2.75		

Silver fix	p/troy oz	US cts equiv
Spot	203.75	394.25
3 months	208.85	397.35
6 months	214.25	400.80
12 months	224.95	408.85

GOLD COINS

	$ price	£ equivalent
Krugerrand	347.50-349.50	181.00-183.00
Maple leaf	358.90-351.25	-
New Sovereign	85.00-87.00	44.00-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	23	63	11	24
1350	6	37	39	47
1400	3	19	83	79
Copper (Grade A)	**Calls**		**Puts**	
2450	74	99	9	47
2500	40	72	25	69
2550	17	51	52	97
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
600	121	141		1
650	71	97		6
700	88	121		3
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
475	138			
500	113	144		1
525	88	121		3
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1950	13		4	32
2000	4		46	63
2050				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	347.3	350.4	348.4	347.1
Sep	347.9	351.0	0	0
Oct	349.0	352.1	350.3	348.8
Dec	350.9	354.0	352.3	350.8
Feb	352.8	355.9	353.8	352.5
Apr	354.6	357.7	355.7	354.4
Jun	356.5	359.6	357.0	356.6
Aug	358.4	361.5	359.5	358.6
Oct	360.5	363.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	367.7	370.3	370.3	367.5
Jan	366.5	369.3	369.3	368.0
Apr	367.0	369.8	369.5	368.0
Jul	368.0	370.6	370.0	369.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	388.5	395.5	0	0
Sep	389.5	396.5	396.5	388.5
Oct	391.5	398.5	0	0
Dec	393.5	400.5	400.5	392.5
Jan	394.9	401.9	0	0
Mar	397.6	404.7	404.0	397.0
May	400.5	407.7	0	0
Jul	403.1	410.4	406.5	406.5
Sep	406.2	413.4	0	0
Dec	410.6	417.8	413.0	413.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	112.25	112.20	112.75	112.10
Sep	112.65	112.65	113.20	112.45
Oct	112.75	112.75	112.95	112.95
Nov	112.65	112.60	112.70	112.50
Dec	112.50	112.55	113.00	112.30
Jan	112.10	112.00	0	0
Feb	111.70	111.65	0	0
Mar	111.25	111.40	111.50	111.20
Apr	110.35	110.50	0	0
May	109.70	109.85	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.63	9.66	9.64	9.55
Mar	9.39	9.26	9.41	9.16
May	9.32	9.21	9.36	9.12
Jul	9.29	9.16	9.30	9.14
Oct	9.18	9.08	9.07	9.07

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	20.95	21.03	20.98	20.85
Oct	20.89	20.95	20.93	20.78
Nov	20.86	20.90	20.87	20.74
Dec	20.80	20.84	20.84	20.70
Jan	20.73	20.75	20.74	20.66
Feb	20.63	20.65	20.65	20.55
Mar	20.55	20.54	20.55	20.46
Apr	20.41	20.43	20.47	20.41
May	20.25	20.32	0	0
Jun	20.25	20.21	20.25	20.12

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5800	5822	5810	5775
Oct	5905	5915	5910	5865
Nov	6020	6030	6020	5990
Dec	6125	6134	6130	6090
Jan	6170	6172	6170	6140
Feb	6110	6110	6110	6075
Mar	5930	5920	5940	5915
Apr	5750	5735	5760	5720
May	5612	5592	5612	5592
Jun	5527	5507	5527	5500

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1002	1065	1057	997
Dec	1061	1126	1116	1055
Mar	1111	1176	1164	1108
May	1143	1207	1187	1150
Jul	1172	1236	0	0
Sep	1202	1266	0	0
Dec	1237	1301	0	0
Mar	1273	1337	1324	1322
May	1301	1365	1363	1363

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	52.80	53.25	53.90	52.60
Dec	55.40	56.00	56.45	55.35
Mar	58.15	58.85	59.10	58.00
May	62.00	62.85	62.75	61.95
Jul	64.50	64.90	64.85	64.25
Sep	66.50	67.00	66.50	66.40
Dec	70.85	70.25	70.50	70.50

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	58.95	61.00	62.20	59.90
Dec	57.87	61.74	60.05	57.87
Mar	59.18	62.27	61.09	59.00
May	60.10	62.46	61.85	59.85
Jul	60.70	62.50	62.25	60.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	105.85	108.30	108.25	105.00
Nov	104.15	108.85	108.60	103.85
Jan	104.30	108.30	108.50	103.35
Mar	104.50	108.45	107.00	103.55
May	104.55	108.80	108.66	104.50
Jul	104.20	108.45	0	0
Sep	104.20	108.05	105.50	105.00
Nov	104.20	108.05	108.00	104.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 11	Aug 10	mnth ago	yr ago
1535.4	1542.0	1554.7	1645.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug 10	Aug 7	mnth ago	yr ago
Spot	117.03	116.91	118.39	117.19
Futures	116.93	117.34	118.72	121.40

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	548/0	543/6	548/4	544/0
Sep	546/0	540/6	545/4	541/4
Nov	539/2	534/6	539/4	535/4
Jan	546/6	541/6	547/0	543/2
Mar	554/2	548/6	554/4	550/4
May	561/0	555/4	561/0	558/4
Jul	565/2	560/4	565/6	561/0
Aug	563/4	560/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.25	18.08	18.26	18.11
Sep	18.26	18.12	18.27	18.18
Oct	18.41	18.30	18.41	18.32
Dec	18.72	18.58	18.74	18.62
Jan	18.87	18.75	18.88	18.81
Mar	19.17	19.02	19.18	19.10
May	19.46	19.32	19.47	19.41
Jul	19.72	19.65	19.74	19.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	169.9	168.5	170.0	168.7
Sep	170.9	169.7	171.0	169.7
Oct	187.6	186.0	187.7	186.5
Dec	186.3	184.7	186.7	184.8
Jan	186.0	184.4	186.3	185.0
Mar	185.8	183.9	186.0	184.2
May	185.8	183.8	185.8	184.0
Jul	186.2	184.3	187.0	185.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	216/4	213/6	216/6	214/6
Dec	219/6	218/4	220/0	217/4
Mar	229/0	225/6	229/2	227/0
May	235/4	232/2	235/6	233/2
Jul	240/2	236/6	240/4	237/6
Sep	240/2	237/2	240/2	239/0
Dec	243/2	240/6	243/6	242/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	311/4	306/4	311/6	307/0
Dec	322/6	317/0	323/4	319/0
Mar	328/6	323/6	329/6	325/0
May	325/0	321/4	326/0	324/2
Jul	309/6	305/6	310/0	307/6
Sep	312/0	310/4	312/0	312/0
Dec	322/0	319/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.600	75.075	75.225	74.550
Oct	74.100	74.775	74.850	74.000
Dec	72.500	72.975	73.175	72.475
Feb	71.875	72.100	72.300	71.850
Apr	73.150	73.300	73.475	73.050
Jun	70.200	70.200	70.400	70.200
Aug	68.600	68.900	69.000	68.600

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	42.250	43.675	43.675	43.100
Oct	38.850	39.075	39.100	38.750
Dec	39.850	40.075	40.075	39.675
Feb	38.775	38.850	38.900	38.550
Apr	38.650	38.950	38.900	38.450
Jun	44.050	44.225	44.200	44.050
Aug	43.100	43.025	43.100	43.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	33.325	36.050	36.000	33.050
Feb	38.300	40.225	40.250	38.250
Mar	37.950	39.800	39.900	37.900
May	38.500	41.300	40.450	38.400
Jul	38.450	40.250	40.250	38.450
Aug	39.350	40.200	0	39.350

Footsie 2,300 mark under pressure

By Terry Byland, UK Stock Market Editor

INVESTORS underwent a further trial of confidence in the UK stock market yesterday when the Skipton Building Society raised its mortgage lending rates by half a percentage point, triggering fears that other home loan groups might follow suit. The stock market, led by the futures sector, plunged through the FT-SE 2,300 level at mid-morning but rallied later when US dollar support operations by the central banks helped some overseas earning stocks.

Yesterday's session demonstrated, once again, the powerful influence of the troubled UK housing sector on the stock market. Equities opened firmer, taking more notice of overnight improvement in New York than of the Nikkei's fall below the 15,000 level. But rumours that one or more UK building societies planned to increase lending rates — the Skipton Building Society's move was not confirmed until mid-morning — surfaced early in the stock index futures market.

The September contract on the Footsie opened sharply lower and the stock market almost instantly reversed its early gain to show a loss. The loss was rapidly extended and the FT-SE Index was 30 points off before 11.00am, the timing of its low point coinciding almost exactly with that of the stock index future.

The market did little more than steady on good trading results from General Accident and a satisfactory, if unexciting, set of domestic producer price figures for last month.

The rally made little progress until the second half of the session when the round of official support for the US dollar brought a spin-off improvement in sterling. The fall in the stock market was trimmed to around 10 points on the Footsie scale and trading volume increased as at least two London securities houses operated trading programmes; both were weighted towards the sell side and blocks of several Footsie stocks were sold at a discount to prevailing market quotations.

The impetus was lost again when Wall Street opened with a fall of 18 Dow points in UK hours. The final reading put the FT-SE Index at 2,309.6 for a loss on the day of 16.1 points. Analysts expressed little confidence in the regaining of the Footsie 2,300 mark and continued to point warningly towards 2,150 as the nearest support level if the rout in share prices continues.

Seaq volume, slow at first, jumped to 563.9m shares at the close, compared with only 331m on Monday when retail, or customer, volume was worth a mere £698.9m.

The final picture was perhaps less pessimistic than the fall in the index might suggest. Oil shares continued to rally, despite further gloomy comments on British Petroleum from brokerage houses, and insurance stocks brightened after General Accident's interim results. But Wellcome sagged as the syndicate involved in the recent share sale cut its support price to 780p.

Also dragging down the Footsie index was ICI, still weakened by adverse comments on the demerger proposals currently under boardroom consideration.

Account Dealing Dates

*First Dealings:	Jul 27	Aug 10	Aug 24
Option Declarations:	Aug 6	Aug 20	Sep 3
Last Dealings:	Aug 7	Aug 21	Sep 4
Account Day:	Aug 17	Sep 1	Sep 14

*New time dealings may take place from 8.30 am two business days earlier.

Wellcome 'floor' lowered

THE FLOOR set on the Wellcome share price at the recent share issue began to suffer yesterday from wet rot seeping in from the rest of the stock market. Because of the general fall in market, the floor was lowered from 800p to 780p and shares in the pharmaceuticals group fell 18½ to 782p with 7.7m traded.

Wellcome Trust, the charity which has been reducing its majority shareholding, had said it would buy up to 40m shares until the issue closes. This "green shoe" buy-back option allows the issue price to be stabilised.

Robert Fleming, lead broker for the global sale, had announced that it would support a price of 800p. However, some analysts pointed out that, in this case, selling Wellcome shares provided a guaranteed exit from a falling stock market.

On Monday, two large institutions offloaded large lines of stock. As a result, Fleming told Morgan Stanley, the lead US broker, to quote Wellcome at a market level in New York, where the shares are traded in the form of American Depositary Receipts (ADRs). The ADRs were quoted overnight around $15, the equivalent of 782p.

When London opened, Fleming followed suit, cutting its bid price, and arguing that the new level reflected the general fall in the market since the strike price was set on July 27. Fleming is believed to have bought about half of the green shoe allocation so far. The final closing date for the issue is August 26.

BA declines

Disappointment at a fall in British Airways' (BA) passenger yield in the three months to June 30 saw a fall in the shares after first quarter results just shy of market forecasts. By the close the shares had given up 8 to 253p in average trade of 4.4m shares. Profits for the period April to June reached £91m, against £9m in the same period last year. tA good result had been anticipated from the UK's leading airliner which led to strong demand for the stock ahead of the results, however a close examination of the figures left the market slightly disappointed with the underlying profits figure. Nonetheless, Mr Chris Will at Lehman Brothers remained positive on the stock and said he was maintaining his full year profits forecast at £400m because, "the falls in the yield have been more than matched by the cuts in costs".

Waters easier

Water shares were generally weaker amid investor concern about tomorrow's Ofwat report on quality standards in the industry. Recommendations are expected on issues including metering, leakage, and capital expenditure. Detailed costings are unlikely, however, as three other reports due in coming weeks address the sector's cost base more closely.

Analysts said yesterday that the outlook for the sector remained positive and that fears had been exaggerated. Mr Stephen Doe at Smith New Court said: "The regulatory nervousness has been overdone. Higher capital spending will prolong growth in the sector." Among the main movers yesterday, Thames lost 12 to 385p, Welsh 10 to 413p and Yorkshire 13 to 410p.

Insurer General Accident was one of the strongest performers in the FT-SE 100 index as half-year results beat most expectations. The shares were up 13 at best and closed 8 higher at 398p.

The firm posted a half-year loss of £21.2m against a loss of £105.2m previously. Analysts' forecasts ranged from a loss of £20m to £52m. The group said UK underwriting losses had improved as action on premiums and cost controls took effect, helping the company to make a profit in the second quarter.

Banks were generally stronger but a couple were put under pressure by downgrades. Barclays fell 4 to 300p after a sell recommendation issued by Carr Kitcat & Aitken. Analyst Mr Derek Chambers cut his forecast for this year's profits to £300m from £450m and for 1993 to around £450m from £1bn, the latter believed to be around the bottom of the range of analysts forecasts.

Bank of Scotland lost 2 to 100p in early trade after Credit Lyonnais Laing cut its current year profit forecast for the group to £135m from £177.5m previously. The bank made £140m in the year to the end of February. The cut was prompted by a downward revision in net interest income.

Hongkong Shanghai Bank saw heavy turnover of 10m shares as a block of 5m was traded at 328p. The shares were unchanged at 328p.

Speculation later denied that James Capel had changed its attitude to RTZ prompted the world's biggest mining group to close 25 lower at 525p.

Oils were firm as investors speculated on renewed tension in the Middle East. Among the gainers BP lifted 2 to 189½p with 22m shares traded and Enterprise rose 7 to 347p.

Switching out of Guinness and into Grand Metropolitan continued. Guinness shares dropped 12 to 516p, Grand Met lifted 9 to 425p. Allied-Lyons, another Kleinwort buy, added 4 to 602p.

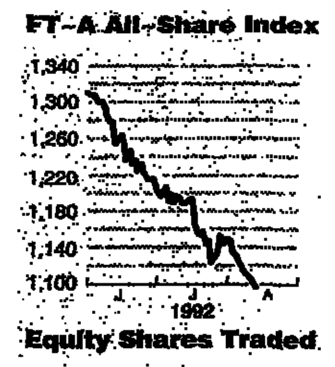
BZW's review of the food manufacturing sector continued on the back of what it considers tough trading conditions. Yesterday, the house trimmed forecasts for Associated British Foods by £10m to £305m for this year, and United Biscuits, by £5m to £195m. AB Foods shed 7 to 386p, while UB tumbled 12 to 300p. A James Capel downgrade was said to have unhinged Northern Foods, off 11 at 232p.

Ranks Hovis McDougall slipped 4 to 168p as a block of 4.6m shares went through the market at 150p, taking turnover to a hefty 5.6m.

Textile group Coats Viyella saw unusually heavy turnover as one institution sold 3.8m shares at 161¼p through Smith New Court which placed the shares at 162p. The shares closed 6 lower at 165p with recorded turnover of 8.7m.

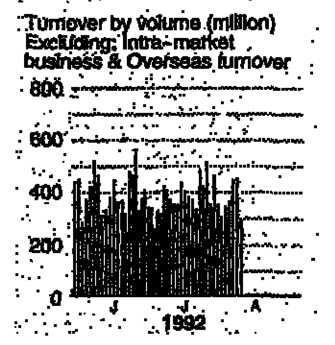
A squeeze continued in BAA and the shares gained 4 to 629p. Rolls-Royce eased a penny to 138p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price

■ Other market statistics, Page 18.

FINANCIAL TIMES STOCK INDICES

	Aug 11	Aug 10	Aug 7	Aug 6	Aug 5	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.21	88.23	88.28	88.18	88.25	85.57	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.40	104.49	105.11	105.10	105.09	94.45	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1722.5	1731.8	1753.3	1774.2	1791.5	2022.3	2149.7 (22/5)	1723.5 (11/8)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	88.2	89.3	88.7	86.6	86.9	177.4	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2309.6	2325.7	2350.1	2377.6	2392.8	2584.9	2737.8 (11/5)	2309.6 (11/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1068.69	1074.19	1088.80	1101.65	1106.98	1171.88	1248.79 (11/5)	1068.69 (11/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord Div Yield	5.31	5.28	5.23	5.19	5.10	4.68				
●Earning Yld %(full)	7.59	7.55	7.47	7.41	7.29	7.80				
●P/E Ratio(Net)(*)	16.62	16.72	16.90	17.03	17.31	15.96				
SEAQ Bargns 5.00pm	18,624	15,921	19,875	16,624	18,313	23,051				
Equity Turnover(£m)†	-	698.9	1044.9	1041.0	798.1	891.5				
Equity Bargains†	-	18,350	23,495	19,392	19,416	22,872				
Shares Traded (mil)†	-	297.1	450.8	447.5	374.9	406.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ✣ Nil 15.48.

Ordinary Share Index, Hourly changes — Day's High 1736.6 — Day's Low 1708.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1736.6	1726.1	1715.4	1710.6	1718.7	1720.8	1723.0	1728.8	1721.1

FT-SE 100, Hourly changes — Day's High 2330.9 — Day's Low 2294.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2330.9	2318.2	2305.2	2296.3	2306.4	2306.5	2310.0	2314.9	2307.1

FT-SE Eurotrack 200, Hourly changes — Day's High 1071.99 — Day's Low 1062.99

Open	10 30 am	11 am	12 pm	1 pm	2 pm	3 pm
1069.98	1066.78	1063.96	1066.77	1067.37	1069.95	1071.74

GILT EDGED ACTIVITY

Indices*	Aug 10	Aug 7
Gilt Edged Bargains	72.0	74.6
5 - Day average	78.9	83.6

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	266	405	-2	Comm Union	970	436		Lonrho	3,000	75	-1	Shell Transport	7,600	450	+1
ASDA Group	8,900	24¼	-1	Cookson	914	128	-3	Lucas	1,500	102	-3	Siebe	764	589	+5
Abbey National	3,400	252	4	Courtaulds	529	442	3	MB Caradon	639	237	-6	Slough Ests	292	108	
Albert Fisher	379	37		Dalgety	1,600	397	-11	MEPC	337	273	-5	Smith (WH) A	648	388	+4
Allied - Lyons	1,200	602	+4	De La Rue	65	564	-5	Manweb	197	329		Smith & Nephew	385	138¼	-½
Amstrad	362	25		Dixons	992	194	+2	Marks & Spencer	5,500	292	-8	SmKl Beecham	5,800	447	-12
Anglian Water	1,400	387	7	Eastern Elect	2,400	263		Midlands Elect	2,300	289	-7	SmKl Beecham Uts.	1,300	405	-8
Argos	1,100	196	+1	East Midland Elect	1,100	273	-3	NFC	1,800	229½	-2½	Smiths Inds.	712	261	+5
Argyll Group	5,100	323½	-6½	Eng China Clays	1,000	441	-7	NatWest Bank	4,400	308	+3	Southern Elect.	1,200	287	-4
Arjo Wiggins	3,900	210	-5	Enterprise Oil	790	347	+7	National Power	1,800	222	+1	South Wales Elect.	487	330	-3
Ass. Brit. Foods	2,300	386	-7	Eurotunnel Units	385	324	-1	Next	1,700	78	-2½	South West Water	124	376	-8
Bunzl	636	88		Ladbroke	8,400	154	-2	Sainsbury	4,700	436	-7	Wessex Water	217	474	-7
Burmah Castrol	716	525	+2	Land Securities	2,400	354	+1	Scottish & New	310	436	+2	Whitbread 'A'	1,000	402	-5
Burton	13,000	32½	+1	Laporte	885	499	-3	Scot. Hydro - Elect.	1,000	198	+½	Williams Hldgs.	2,700	254	-10
Cable & Wire	2,900	504	9	Legal & General	1,600	299	-6	Scottish Power	4,300	181½	+1½	Willis Corroon	1,800	183	-2
Cadbury Schweppes	2,500	462	+4	Lloyds Abbey	1,500	325	+1	Sears	5,300	68	-2	Wimpey	172	102	+4
Calor Group	202	172	+1	Lloyds Bank	4,700	371	+4	Sedgwick	139	161	+1	Wolseley	335	327	+5
Carlton Comms	432	565	+3	LASMO	6,400	138	+4	Seeboard	300	300	-1	Yorkshire Elect.	1,300	331	-2
Coats Viyella	8,700	165	-6	London Elect.	1,600	285	+3	Severn Trent Water	1,000	372	-7	Yorkshire Water	445	410	-13

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVE markets were volatile yesterday as they reacted to the Skipton building society's decision to raise its mortgage rates and, later, to a firm set of producer price figures, writes Joel Kibazo.

The September contract on the FT-SE opened at 2,330, but the talk, later confirmed, that the Skipton was about to raise rates quickly sent the contract into retreat, pulling the underlying cash market lower. By 10.45am September was just hovering above the 2,300 level.

The release of producer price figures for July, in line with market expectations, helped steady nerves and in the afternoon bargain hunters moved in to lift the contract off the bottom. By 3pm the contract had clawed back earlier falls to trade at 2,335, the high point of the session before a weak Wall Street once again led to nervous selling.

September closed at 2,317, down 12 on the previous session and around 3 points below its estimated fair value premium to cash of about 12. Turnover of 13,168 was greatly improved on recent levels.

Traded options were also busy, with the FT-SE index option particularly active. Total turnover reached 32,118 and the FT-SE option accounted for 19,709 of that total.

NEW HIGHS AND LOWS FOR 1992

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Aug 11 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Aug 10 Index No.	Fri Aug 7 Index No.	Thu Aug 6 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (175)	700.58	-0.7	8.41	6.40	15.21	21.23	705.43	713.04	722.12	829.06
2 Building Materials (23)	713.03	.....	7.64	7.85	17.78	26.43	713.41	724.12	740.88	1048.85
3 Contracting, Construction (27)	556.45	+0.1	6.29	10.76	34.60	25.20	555.74	573.29	587.68	1133.67
4 Electricals (9)	2009.56	-1.6	8.58	7.48	15.10	72.04	2042.08	2119.11	2151.85	2431.96
5 Electronics (27)	1858.44	-0.3	8.64	4.64	14.44	45.74	1864.56	1876.76	1890.47	1706.30
6 Engineering-Aerospace (6)	301.52	+0.1	12.08	8.64	10.47	11.27	301.30	304.61	307.83	414.21
7 Engineering-General (43)	426.68	+0.9	9.53	5.64	13.13	12.47	423.00	428.38	436.82	455.49
8 Metals and Metal Forming (7)	275.13	-0.3	6.08	8.01	24.11	7.18	275.98	277.69	280.18	438.94
9 Motors (14)	304.03	-1.1	8.84	7.76	14.90	12.25	307.38	310.13	311.95	338.83
10 Other Industrial Materials (19)	1533.21	-1.9	8.08	5.41	14.90	38.28	1563.14	1572.28	1584.72	1594.11
21 CONSUMER GROUP (191)	1480.58	-1.0	8.26	3.88	14.87	27.61	1494.93	1509.22	1523.24	1522.09
22 Brewers and Distillers (25)	1921.11	-0.3	8.66	3.81	13.93	37.45	1926.64	1936.55	1951.13	1869.38
25 Food Manufacturing (19)	1145.15	-1.1	9.43	4.61	13.12	26.01	1158.36	1170.84	1174.05	1200.63
26 Food Retailing (18)	2617.54	-0.8	9.31	3.49	14.00	44.92	2639.40	2674.92	2726.31	2634.36
27 Health and Household (24)	3691.84	-1.2	7.51	2.89	15.17	42.42	3737.79	3765.49	3794.44	3627.60
29 Hotels and Leisure (18)	1021.57	-1.0	7.85	6.70	16.56	36.54	1032.17	1059.32	1059.85	1328.77
30 Media (27)	1396.22	-1.2	7.25	3.78	17.19	29.47	1413.47	1423.72	1429.97	1437.37
31 Packaging, Paper & Printing (17)	707.97	-0.9	7.28	4.67	16.65	15.69	714.54	715.91	716.26	744.09
34 Stores (34)	914.69	-1.1	8.24	4.08	16.04	16.98	925.00	935.80	954.97	984.95
35 Textiles (9)	584.38	-1.8	8.30	5.31	15.01	15.02	594.95	602.06	609.43	587.83
40 OTHER GROUPS (117)	1161.30	-0.8	10.71	5.69	11.62	35.65	1170.90	1184.50	1193.15	1264.62
41 Business Services (17)	1192.49	-0.9	7.05	4.33	17.32	21.09	1203.81	1214.72	1228.62	1347.61
42 Chemicals (22)	1291.90	-0.8	7.55	5.63	16.44	45.57	1301.70	1320.08	1323.25	1438.38
43 Conglomerates (10)	1159.17	-1.3	10.77	8.09	11.62	24.98	1173.87	1180.77	1193.96	1481.71
44 Transport (14)	2162.53	-1.2	9.13	5.46	13.50	55.92	2189.78	2207.10	2234.38	2281.73
45 Electricity (16)	1265.09	.....	15.68	5.80	8.08	44.58	1264.91	1278.78	1278.12	1204.00
46 Telephone Networks (4)	1344.19	-0.5	11.25	4.91	11.59	46.15	1351.45	1358.59	1369.96	1512.97
48 Water (11)	2603.37	-1.1	17.21	6.65	6.43	86.85	2663.89	2694.27	2736.45	2409.06
48 Miscellaneous (23)	1866.18	-0.7	7.11	5.43	17.64	54.03	1878.99	1934.34	1944.20	1995.94
49 INDUSTRIAL GROUP (483)	1183.09	-0.9	9.07	4.90	13.69	29.03	1193.45	1205.90	1217.05	1270.85
51 Oil & Gas (17)	1770.65	+0.8	8.55	6.89	15.30	68.79	1756.73	1756.72	1803.19	2432.89
59 500 SHARE INDEX (500)	1240.45	-0.7	9.02	5.10	13.84	32.22	1249.28	1261.65	1276.79	1370.01
61 FINANCIAL GROUP (84)	651.74	-0.4	-	6.94	-	25.18	654.61	668.22	677.41	817.33
62 Banks (9)	877.49	-0.2	7.30	6.28	19.73	36.70	879.59	906.46	915.76	943.26
65 Insurance (Life) (6)	1327.75	-2.9	-	6.71	-	44.26	1352.92	1368.73	1385.96	1565.77
66 Insurance (Composite) (7)	436.73	-	-	7.97	-	13.46	436.56	453.03	443.59	675.80
67 Insurance (Brokers) (10)	708.69	-0.4	10.94	9.16	12.03	31.02	712.88	730.36	749.03	1157.95
68 Merchant Banks (7)	405.77	-0.5	-	5.33	-	12.37	407.84	419.29	425.26	438.35
69 Property (30)	502.07	-0.3	11.98	9.10	11.20	20.85	503.34	508.93	518.94	914.92
70 Other Financial (15)	223.30	-0.5	8.23	7.75	14.44	6.63	224.42	229.34	230.96	251.62
71 Investment Trusts (70)	1049.96	-0.8	-	4.27	-	22.04	1058.03	1071.83	1078.91	1218.10
99 ALL-SHARE INDEX (654)	1099.67	-0.7	-	5.31	-	30.07	1107.15	1119.23	1131.71	1235.68

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 10	Aug 7	Aug 6	Aug 5	Aug 4	Year ago
FT-SE 100 SHARE INDEX♦	2309.6	-16.1	2330.9	2294.7	2325.7	2350.1	2377.6	2392.8	2407.5	2584.9

FIXED INTEREST

PRICE INDICES	Tue Aug 11	Day's change %	Mon Aug 10	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (25)	121.15	+0.03	121.12	1.78	8.08
2 5-15 years (25)	136.74	-0.12	136.90	1.96	8.55
3 Over 15 years (8)	148.31	-0.19	148.59	1.96	7.62
4 Irredeemables (6)	166.74	-0.27	167.19	2.89	7.34
5 All stocks (62)	134.41	-0.08	134.53	1.93	8.43
Index-Linked					
6 Up to 5 years (2)	171.13	+0.04	171.05	-0.07	3.25
7 Over 5 years (10)	149.02	+0.23	148.69	0.67	3.09
8 All stocks (12)	150.89	+0.20	150.59	0.57	3.08
9 Debs & Loans (62)	119.98	-0.26	120.30	2.81	6.83

AVERAGE GROSS REDEMPTION YIELDS		Tue Aug 11	Mon Aug 10	Year ago (approx.)
British Government				
1 Low	5 years	8.61	8.60	8.92
2 Coupons	15 years	8.95	8.93	9.73
3	25 years	8.95	8.93	9.73
4 Medium	5 years	9.49	9.48	10.09
5 Coupons	15 years	9.15	9.12	9.92
6 (8%-10¾%)	25 years	9.09	9.05	9.86
7 High	5 years	9.71	9.71	10.27
8 Coupons	15 years	9.36	9.32	10.04
9 (11%-)	25 years	9.22	9.18	9.94
10 Irredeemables		9.21	9.18	9.91
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	4.39	4.39	4.26
12 Inflation rate 5%	Over 5 yrs	4.54	4.56	4.39
13 Inflation rate 10%	Up to 5yrs	3.68	3.68	3.37
14 Inflation rate 10%	Over 5 yrs	4.37	4.38	4.21
15 Debs &	5 years	10.69	10.66	11.73
16 Loans	15 years	10.49	10.45	11.50
17	25 years	10.35	10.31	11.32

♦Opening index 2330.9; 9 am 2318.2; 10 am 2305.2; 11 am 2296.3; Noon 2306.4; 1 pm 2306.5; 2 pm 2310.0; 2.30 pm 2312.0; 3 pm 2314.9; 4.10 pm 2308.1. (a) 8.30am (b) 10.47am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs.......b	16¼xd	+¼	19⅛	14⅞	13,880	1.9
♥Allegheny & W....	322p	-15	338p	236p	167.9	4.9
Amdahl....	698p	-23	1159p	698p	762.8	0.8
Amer Cyanamid....	31⅛	-⅛	37	28⅝	2,982	2.7
Amer Express....	11½xd	—	13⅞	10[illegible]	5,462	4.6
Amer T & T....	22[illegible]xd	-[illegible]	24⅞	20⅛	29,920	3.1
Ameritech....	35½	-⅛	36[illegible]	32½	16,543	5.2
BankAmerica....	23⅜xd	-[illegible]	27⅛	19[illegible]	6,817	2.8
Bankers NY....	32[illegible]xd	-[illegible]	37¼	26⅞	2,678	4.1
Bell Atlantic....	24½	-⅛	26¼	23⅛	10,547	5.6
BellSouth....	26⅞	-½	29⅛	25	13,138	5.4
♥Bethlehem Steel....	6¼xd	-¼	9⅝	6¼	686.6	–
Bowater....	1027pxd	-11	1579p	1016p	370.3	6.1
CPC.......b	24⅞xd	-⅛	25¼	22⅛	3,767	2.5
♥Cadiz Land Inc....	142p	—	342p	142p	–	–
California Engy....	626p	—	830p	590p	114.8	–
Campbell Soup....	19⅝xd	—	23[illegible]	17⅞	4,926	2.1
Chase Manhattan....	12[illegible]xd	-[illegible]	16½	9⅛	1,749	5.1
Chrysler....	10⅞xd	+⅛	11½	6¼	2,176	2.9
Citicorp....	9¾xd	-[illegible]	11¼	5⅞	3,428	–
Colgate-Palm....	27½xd	—	29[illegible]	25¼	4,370	2.4
Cont'l Bank....	918p	-11	1030p	499p	827.7	3.4
Dana....	28[illegible]xd	-[illegible]	24½	14[illegible]	919.3	4.1
Data General....	448p	—	1004p	385p	121.4	–
♥Decora Inds....	121p	—	122p	66p	–	–
Dun & Brad....	29¼	-⅛	33½	27⅝	6,308	4.0
Eaton....	40	-½	48½	32½	1,378	2.9
Echlin....	9¼xd	-⅛	11	7⅛	588.8	3.8
FPL....	19[illegible]xd	-[illegible]	28	18⅛	3,489	6.5
Fluor....	19[illegible]	—	27	19¼	1,617	1.1
Ford Motor....	21¼xd	+⅛	28⅞	15	10,317	2.5
Gen Elect....	39⅛xd	-⅛	45¼	38[illegible]	33,888	3.2
♥General Host....	472p	-9	655p	360p	–	4.0

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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INVESTMENT TRUSTS - Cont.

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

OIL & GAS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Homestake $	£7		£9	£6¼	882.0	1.5
Iverna West I£	33		53	33	16.6	–
Kells Minb I£	14		42	14	0.34	–
Kenmare	2½		6½	2½	2.48	–
Mchnga Res	22½	+1	48	21½	2.48	–
Navan Res I£	23½		28	16	3.15	–
North West Expl A$	3		6	2	1.01	–
Oryz Gold $	56		183	51	–	–
Plateau	8		13	3	1.37	–
RTZ	526	–25	669	469	6,260	5.0
Vizcaya	1¼		3	1	0.94	–
Western & Pac C$	15	+1½	86	7	8.23	–
Young Grp	15		118	4	2.26	‡

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are ...

yield, p/e ratio based on latest annual earnings. 1992-93. Abbreviations:
a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other ... xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Henderson Administration(z)

3 Finsbury Ave London EC2M 2PA

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	[illegible]	[illegible]	[illegible]	
Fixed Interest	165.4	[illegible]	[illegible]	
N America	241.6	[illegible]	[illegible]	
Far East	[illegible]	[illegible]	[illegible]	-
Global Managed	298.9	[illegible]	[illegible]	
Deposit	210.2	221.3		
Prime Res	[illegible]	[illegible]		
European	179.5	[illegible]	[illegible]	
Pension Funds				
UK Equity	[illegible]	[illegible]	[illegible]	
Fixed Interest	232.7	[illegible]	[illegible]	
Special Sits	[illegible]	[illegible]	[illegible]	
N American	155.2	[illegible]	[illegible]	
Far East	245.9	[illegible]	[illegible]	
Managed	273.5	[illegible]	[illegible]	
Deposit	256.4	[illegible]		
European Pension Fund	207.2	220.5	[illegible]	

Continued on next page

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Pearl Assurance (Unit Funds) Ltd
Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or −	Yield Gross
Property Dist. (Gross)	135 9	143 0		−
Property Acc. (Gross)	258 9	272 5	+0 1	−
Equity (Gross)	798 4	840 4	−3 1	−
Managed (Gross)	571 4	601 5	−2 5	−
Property Acc. (Net)	123 7	130 2		−
Equity (Net)	186 8	196 6	−0 7	−
Adventurous Managed	87 2	91 7	−1 1	−
Managed (Net)	176 8	186 1	−0 7	−
Cautious Managed	95 7	100 8	−0 2	−
International (Net)	149 4	157 3	−1.3	−
Gilt & Fixed Interest	141 0	148 5	−0 3	−
Money Fund	140 9	148 3		−
Mixed Fund (Cap)	111 5	117 4		−
Mixed Fund (Acc)	116 2	122 4	..	−
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	614 0	646 4	−4 5	−
Ret Man (Series 2)	208 2	219 2	−1.6	−
Ret Cash	199 3	209 7		−
Pens Mixed Fd (Cap)	123 0	129 5		−
Pens Mixed Fd (Acc)	128 1	134 9		−
Pens Stg Fd (Cap)	104 2	109 7	.	−
Pens Stg Fd (Acc)	108.6	114 4	..	−

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	122 0	129 0	−1.0	−
Building Soc. Fd	224 0	236 0		−
Balanced	252 0	266 0	−1.0	−
European	199 0	210 0	−1.0	−
GT Managed	173 0	183.0	−2.0	−
Gartmore Mngd	117 0	124.0		−
German	124.0	131.0	−2.0	−
Gilt	168 0	177 0		−
Global	36 0	38 0		−
International Equity	180 0	190 0	−2 0	−
Japan	133 0	140 0	−2.0	−
Leisure	48.0	51.0		−
Managed	40 0	43 0	...	−
Property	300 0	316.0		−
UK Equity	229 0	242.0	−1.0	−
Pension Funds				
American	237 0	250 0		−
Building Soc. Fd	241 0	254 0		−
Balanced	211 0	223 0	−1 0	−
European	219 0	231 0	−1.0	−
German	123 0	130 0	−2.0	−
Gilt	160 0	169 0	−1 0	−
Global	34 0	36 0	..	−
[illegible]				

Provident Mutual Life Assc. Assn. – Contd.

Pension Funds	Bid Price	Offer Price	+ or −	Yield Gross
Managed Ord	431 7	454 4	−2.4	−
Managed Init	313 8	330 3	−1 8	−
Equity Ord	648 1	682.2	−4 4	−
Equity Init	471 1	495 9	−3.3	−
Pen Ind Lkd Gilt Ord	185 3	195.1	+0.3	−
Pen Ind Lkd Gilt Init.	140 6	148 0	+0 2	−
Overseas Equity Ord	272 2	286 5	−3.2	−
Overseas Equity Init.	197.9	208 3	−2.3	−
Property Ord	281 2	296 0	+0.1	−
Property Init.	204 4	215 2		−
Fixed Interest Ord	291 2	306 5	−0 4	−
Fixed Interest Init.	211 6	222 7	−0 3	−
Deposit Ord	271 6	285 9	+0 1	−
Deposit Init.	197 4	207 8		−

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

Prufund	Bid Price	Offer Price	+ or −	Yield Gross
Managed Aug 5	246 2	256 5		−

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281

Prudential Managed Funds	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary Aug 5	£176 64	182.30		−
Equity Aug 5	£201 72	208.63		−
International Aug 5	£25 15	25 84		−
Intl Bond Aug 5	£14.18	14 37		−
Fixed Int Aug 5	£105 13	106 33		−
Index Linked Aug 5	£75 13	76 09		−
Property Aug 5	£110 04	116 10		−
Cash Aug 5	£31 1012	31 1012		−
Pre-Linked Retirement Plan				
Managed Aug 4	425 9	443 7		−
Cash Aug 4	285 4	297.3		−
Prudential Pensions Investment Account				
Pens Mngd Aug 11	165 3	177 7	−1.1	−
Pens UK Eq Aug 11	286 7	309 0	−2.0	−
Pens Intl Aug 11	181.1	194.1	−1.7	−
Pens Global Eqty Aug 11	91 1	95 9	−0 7	−
Pens Fixed Aug 11	239 7	252.9	−0.3	−
Pens Index Lk Aug 11	192.2	203.0	+0.4	−
Pens Property Aug 11	89.9	94 7		−
Pens Cash Aug 11	186.4	196 5	+0 1	−
Money Purchase Plan				
Discretionary Aug 11	92 1	98.96	−0.8	−
Equity Aug 11	95 0	102.1	−1.1	−
International Aug 11	79 5	84 9	−0 4	−
Global Equity Aug 11	90 1	96 7	−0.9	−
Intl Bond Aug 11	95 5	100 6		−
Fixed Interest Aug 11	111.4	117.2		−
Index Linked Aug 11	101.7	107.1		−

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

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ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Eureco Management S.A.				
Eureco Fd NAV Aug 6	Ecu24 18			-
Europe Plus Investissement (SICAV) (u)				
NAV Aug 7	Ecu159 30		+0 34	-
Europe Value Fund (u)				
NAV	$10 07		-0 04	-
EurOptec (u)				
European Protection	Ecu93 98	99 46		-
Fidelity Intl Inv Mngt (Luxembourg) SA				
Cons Sec Portfolio	$8.51	8 94	-0 07	1 86
New Europe Fd	$10 39	10 91	-0 10	0 48
Fidelity Investment (CI) Ltd				
Blncd Port-Hedged	$12.71	13 35	+0 01	0 78
Blncd Port-Unhedged	$11 97	12.57	+0 04	0 83
Discovery	$18.24	19 15	-0 06	0 27
Far East	$47 71	50 10	-1 14	0 14
Frontier	$31 80	33 39	+0 02	0 31
Global Industries	$15 05	15 80	-0 13	-
Global Selection	$12.21	12 82	-0 13	-
International	$14 83	15.57	-0.17	0 33
Orient	$75 99	79.79	-1 85	-
Special Growth	$23.37	24.54	-0 64	0 21
World	$83 47	87 64	-0 61	0 28
The First Korea Smaller Companies Fund				
NAV Jun 30	$9.57		-0 64	-
Five Arrows Intl Bond Fund (u)				

	Bid Price	Offer Price	+ or -	Yield Gross
Aetna Malaysian Growth Fd (Cayman) Ltd				
NAV August 10	$9 2781			
Alliance Capital				
Asian Convertibles & Income Fd (Cayman)				
Austro-Hungary Fund Ltd				
BEA Associates				
Julius Baer Bank & Trust Co Ltd				
Julius Baer Multistock				

	Bid Price	Offer Price	+ or -	Yield Gross
Global Asset Management—Contd.				
GAM High Yield	$131.82			-
GAM Hong Kong	$379.32			-
GAM International Fd	$158 66			-
GAM Japan	$544.11			-
GAM Nth America Fd	$133 72			-
GAM Money Mkt US$	$100.33		+0.01	-
Do Sterling	£101.08		+0.03	-
Do Swiss Fr	SFr100.86		+0.02	-
Do Deutschmark	DM101.05		+0 03	-
Do Yen	Y10036		+1	-
GAM Overseas	$139 40			-
GAM Pacific	$540 50			-
GAM Pacific Basin Fd	$124.28			-
GAM Selection	$499 52		+5.00	-
GAM SFr Special Bond	SFr104.31		+0.12	-
GAM Tyche	$270 14			-
GAM U S	$227 10			-
GAM Value	$93 69		-4.44	-

	Bid Price	Offer Price	+ or -	Yield Gross
Odey Asset Management Limited				
Odey European Inc	94 96		+1 45	-
Old Ironsides International Ltd				
Old Ironsides Jun 30	$88.12			-
Omega Overseas Partners Ltd				
Omega Overseas Partners Jun 30	$103 97			-
Optima Fund Management				
Optima Fd NAV Jul 31	$15 16			-
Optima Futs Fd NAV Jul 31	$12 10			-
Optima Short Fd NAV Jul 31	$9 88			-
Orbis Investment Management Ltd				
Orbis Global Eqty	$12.02	12 63		-
Orbis Optimal Eqty	$17 59	18.49		-
Orbis Leveraged Eqty	$17 44	18 44		-
* Prices on Aug 6 Next Pricing Aug 13 Weekly Pricing				
Orbitex Bahamas Ltd				
ORIENT Growth Fd				
NAV	$9.74		-0.05	-
PFC Internatl Portfolio Fd Mngt Ltd				
Specialist Growth Fd	$2 67			-
Balanced Growth Fd	$2.34			-
Sterling Income Fd	£1.37			-

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Fed leads massive intervention

THE FEDERAL RESERVE led a massive round of central bank intervention to prop up the dollar yesterday, but first indications were that the operation had not been as successful as the one held on July 20, *writes James Blitz.*

The Fed intervened in the market at around 1.15 pm London time, buying the US currency as the dollar/D-Mark rate fell to around DM1.4610. In its third intervention in the foreign exchange market in three weeks, it bought dollars at DM1.4715 and later at DM1.4770. Fifteen central banks joined the Fed in the operation, in three concerted waves of intervention.

The intervention, which lasted over three hours, was more extensive than the one held on July 20, and more than $500m was spent by all the central banks. However, in late US trading, the dollar was still hovering at around DM1.4675 after peaking at DM1.4791.

The Fed and the European central banks would have wanted to keep the dollar above a floor of around DM1.4700 for several reasons. The US authorities might have been concerned yesterday that the new Treasury refunding issue of $15bn of 3 year notes went ahead smoothly yesterday, with investors confident that the dollar has the long-term potential to rise. European central banks are concerned that a weak dollar/D-Mark rate will exacerbate tensions in the European Monetary system. And the Group of Seven leading industrial countries will want to show that they can control the dollar/D-Mark rate, avoiding a free-fall that would damage already brittle stockmarkets.

But dealers said that yesterday's operation was hampered by bad timing. The central banks did not surprise the market as completely as they did on July 20. Dealers had already anticipated that the Fed could intervene at around DM1.4600, and most dealers' books were already square.

Fundamental factors also make it difficult for the dollar to break out of its current ranges. There is still a fear that the huge 6.75 per cent differential between US and German interest rates will widen further, and comments yesterday from a senior US official that US interest rates could go even lower worsened sentiment.

The immediate outlook for the dollar depends on today's Bundesbank intervention in the German money markets. Yesterday, German call money was virtually unchanged at 9.70-75 per cent, narrowly below the Lombard rate. If the Bundesbank adds liquidity to the market, reducing the rate for call money, the dollar could rally on easier monetary conditions in Germany. If the Bundesbank keeps conditions tight, the market will anticipate further intervention to stop the dollar going into free-fall.

£ IN NEW YORK

Aug.11	Latest	Previous Close
£ Spot	1.9240-1.9250	1.9310-1.9320
1 month	1.10-1.09pm	1.16-1.14pm
3 months	3.24-3.22pm	3.25-3.22pm
12 months	11.7-11.6pm	11.7-11.6pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Aug.11	Previous
8.30	am	92.1	92.0
9.00	am	92.1	92.0
10.00	am	92.2	92.0
11.00	am	92.2	92.1
Noon		92.2	92.1
1.00	pm	92.2	92.1
2.00	pm	92.0	92.1
3.00	pm	92.1	92.1
4.00	pm	92.1	92.1

CURRENCY MOVEMENTS

Aug 11	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.1	-20.0
U S Dollar	60.4	-18.5
Canadian Dollar	99.1	-2.5
Austrian Schilling	111.4	+13.1
Belgian Franc	113.5	-0.8
Danish Krone	111.7	+5.3
D-Mark	121.4	+27.2
Swiss Franc	109.4	+17.6
Dutch Guilder	116.4	+17.6
French Franc	106.2	-10.7
Lira	100.2	-19.1
Yen	136.0	+71.9
Peseta	108.6	-17.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Aug.10

CURRENCY RATES

Aug 11	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.751484	0.720004
U S Dollar	3.00	1.44593	1.38385
Canadian $	5.50	1.71776	1.63931
Austrian Sch	7.50	14.9553	14.3464
Belgian Franc	8.50	43.7394	41.9860
Danish Krone	9.50	8.18179	7.85265
D-Mark	8.75	2.12537	2.03841
Dutch Guilder	8.50	2.39504	2.29843
French Franc	10¼	7.18410	6.89918
Italian Lira	13.75	1607.78	1542.66
Japanese Yen	3.25	185.079	176.717
Norway Krone	-	8.36181	8.02840
Spanish Peseta	-	135.634	130.087
Swedish Krona	10.00	7.71693	7.40843
Swiss Franc	7.00	1.90646	1.83222
Greek Drach	19	N/A	251.584
Irish Punt	-	N/A	0.767313

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Aug.10

OTHER CURRENCIES

Aug 11	£	$
Argentina	1.9005 - 1.9035	0.9900 - 0.9910
Australia	2.6310 - 2.6330	1.3705 - 1.3715
Brazil	8539.00 - 8543.65	4448.55 - 4448.65
Finland	7.7225 - 7.7455	4.0275 - 4.0305
Greece	345.550 - 351.100	179.040 - 181.900
Hong Kong	14.8415 - 14.8550	7.7290 - 7.7300
Iran	2755.00*	1430.00*
Korea(Sth)	1513.85 - 1538.25	787.20 - 793.40
Kuwait	0.56550 - 0.56650	0.29380 - 0.29410
Luxembourg	58.15 - 58.25	30.25 - 30.35
Malaysia	4.7970 - 4.8095	2.4985 - 2.4995
Mexico	5758.50 - 5771.10	3094.50 - 3095.50
N Zealand	3.5355 - 3.5395	1.8410 - 1.8430
Saudi Ar	7.1955 - 7.2725	3.7495 - 3.7505
Singapore	3.0915 - 3.0990	1.6100 - 1.6110
S Af (Cm)	5.3320 - 5.3445	2.7690 - 2.7710
S Af (Fn)	7.1000 - 7.1395	3.6970 - 3.7175
Taiwan	48.00 - 48.20	25.00 - 25.10
U A E	7.0455 - 7.1230	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.00 $63.40

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 11	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	173.977	-2.66	6.14	43
Spanish Peseta	133.631	130.087	-2.65	6.13	45
Belgian Franc	42.4032	41.9860	-0.98	4.34	33
D-Mark	2.05586	2.03841	-0.85	4.20	34
Dutch Guilder	2.31643	2.29843	-0.78	4.12	23
Irish Punt	0.767417	0.767313	-0.01	3.33	-13
French Franc	6.89509	6.89918	0.06	3.25	-20
Danish Krone	7.84195	7.85265	0.14	3.17	-20
Italian Lira	1538.24	1542.66	0.29	3.02	-29
Sterling	0.696904	0.720004	3.31	0.00	-65

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9190 - 1.9260	1.9210 - 1.9220	1.12-1.10cpm	6.93	3.25-3.22pm	6.73
Canada	2.2745 - 2.2840	2.2750 - 2.2760	0.99-0.95cpm	5.12	2.95-2.88pm	5.12
Netherlands	3.1725 - 3.1925	3.1825 - 3.1925	⅛cpm-par	0.24	⅜-¼pm	0.39
Belgium	57.95 - 58.35	58.15 - 58.25	4-2cpm	0.62	9-4pm	0.45
Denmark	10.8775 - 10.9275	10.8800 - 10.8900	⅜-1⅝oredis	-1.24	1¾-3¼dis	-1.03
Ireland	1.0620 - 1.0650	1.0625 - 1.0635	0.07-0.04cpm	0.62	0.16-0.08pm	0.45
Germany	2.8225 - 2.8300	2.8250 - 2.8300	⅛-parpfpm	0.27	¼-⅛pm	0.27
Portugal	240.25 - 242.00	241.50 - 242.00	71-146cdis	-5.36	162-356dis	-4.29
Spain	179.50 - 180.80	180.45 - 180.75	58-64cdis	-4.05	141-158dis	-3.31
Italy	2129.50 - 2145.75	2138.00 - 2139.00	8-10lireadis	-5.05	22-24dis	-4.30
Norway	11.1200 - 11.1725	11.1400 - 11.1500	par-½oredis	-0.20	¼-1½dis	-0.27
France	9.5200 - 9.5900	9.5650 - 9.5750	par-¼cdis	-0.16	⅛-⅝dis	-0.16
Sweden	10.2600 - 10.3075	10.2650 - 10.2750	1⅛-2⅞oredis	-2.41	5⅛-6⅝dis	-2.34
Japan	245.50 - 246.75	245.50 - 246.50	1⅜-1¼ypm	6.40	3⅞-3⅝pm	6.20
Austria	19.78 - 19.94	19.91 - 19.94	1-½gropm	0.34	3¼-1pm	0.43
Switzerland	2.5400 - 2.5525	2.5400 - 2.5500	½-⅜cpm	2.06	1½-1¼pm	2.06
Ecu	1.3855 - 1.3900	1.3855 - 1.3865	0.09-0.13cpm	0.95	0.20-0.27dis	-0.68

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.40-6.35pm. 12 Month 11.72-11.62pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9190 - 1.9260	1.9210 - 1.9220	1.12-1.10cpm	6.93	3.25-3.22pm	6.73
Ireland†	1.7980 - 1.8175	1.8030 - 1.8040	1.18-1.15cpm	7.75	3.35-3.28pm	7.35
Canada	1.1835 - 1.1865	1.1850 - 1.1860	0.17-0.19cdis	-1.82	0.49-0.51dis	-1.67
Netherlands	1.6465 - 1.6670	1.6580 - 1.6590	0.94-0.97cdis	-6.91	2.67-2.72dis	-6.50
Belgium	30.05 - 30.45	30.25 - 30.35	15.00-17.00cdis	-6.34	45.00-50.00dis	-6.27
Denmark	5.6275 - 5.6925	5.6625 - 5.6675	3.78-4.08oredis	-8.32	10.85-11.45dis	-7.87
Germany	1.4600 - 1.4790	1.4710 - 1.4720	0.83-0.84pfdis	-6.81	2.39-2.41dis	-6.52
Portugal	124.75 - 125.90	125.65 - 125.75	124-130cdis	-12.12	346-362dis	-11.26
Spain	93.30 - 94.30	94.00 - 94.10	82-84cdis	-10.59	238-243dis	-10.23
Italy	1104.75 - 1118.00	1112.75 - 1113.25	10.50-11.50liredis	-11.86	30.50-32.50dis	-11.32
Norway	5.7525 - 5.8200	5.7975 - 5.8025	3.50-3.80oredis	-7.55	10.25-10.75dis	-7.24
France	4.9400 - 5.0050	4.9775 - 4.9825	2.94-2.99cdis	-7.14	8.59-8.69dis	-6.94
Sweden	5.3075 - 5.3750	5.3425 - 5.3475	4.03-4.28oredis	-9.33	11.85-12.30dis	-9.04
Japan	127.60 - 128.15	128.00 - 128.10	0.07-0.08ydis	-0.70	0.17-0.18dis	-0.56
Austria	10.2800 - 10.3900	10.3725 - 10.3775	5.65-6.00grodis	-6.74	16.15-17.15dis	-6.42
Switzerland	1.3125 - 1.3285	1.3240 - 1.3250	0.55-0.58cdis	-5.12	1.65-1.70dis	-5.06
Ecu	1.3780 - 1.3940	1.3840 - 1.3850	0.92-0.90cpm	7.89	2.58-2.55pm	7.41

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Aug 11	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¾ - 9⅝	9⅞ - 9¾	10 - 9⅞	10⅛ - 10	10⅛ - 10¼	10⅜ - 10¼
US Dollar	3½ - 3¼	3⅛ - 3⅜	3⅜ - 3¼	3⅛ - 3⅜	3½ - 3⅜	3⅝ - 3½
Can. Dollar	5¼ - 4⅞	5 - 4⅞	5 - 4⅞	5 - 4⅞	5⅛ - 4⅞	5 - 4⅞
Dutch Guilder	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅝ - 9½
Swiss Franc	8 - 7⅞	8 - 7⅞	8⅛ - 8	8⅜ - 8¼	8⅜ - 8¼	8⅜ - 8¼
D-Mark	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅝ - 9½
French Franc	9⅞ - 9¾	9⅞ - 9¾	10⅛ - 9⅞	10⅜ - 10¼	10⅜ - 10¼	10⅜ - 10¼
Italian Lira	15 - 13	14½ - 14	14½ - 14	14½ - 14	14½ - 14	14⅝ - 14⅜
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	4⅛ - 4	4⅛ - 4⅛	4⅛ - 4	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞
Danish Krone	11½ - 11	11¼ - 10¾	11½ - 11	11½ - 11	11½ - 11	11¼ - 10¾
Asian $Sing	1⅜ - 1¼	1⅜ - 1¼	2⅛ - 2⅛	2⅜ - 2⅛	2⅝ - 2½	3⅛ - 3⅛
Spanish Peseta	13 - 12½	13 - 12½	13¼ - 13	13⅝ - 13⅛	13½ - 13¼	13⅞ - 13⅝

Long term Eurodollars: two years 4⅜-4¼ per cent; three years 5⅛-4⅞ per cent; four years 5⅜-5⅛ per cent; five years 5⅞-5⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug.11	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.921	2.827	246.0	9.570	2.545	3.187	2138	2.275	58.20	180.6	1.386
$	0.521	1	1.472	128.1	4.982	1.325	1.659	1113	1.184	30.30	94.01	0.721
DM	0.354	0.680	1	87.02	3.385	0.900	1.127	756.3	0.805	20.59	63.88	0.490
YEN	4.065	7.809	11.49	1000	38.90	10.35	12.96	8691	9.248	236.6	734.1	5.634
F Fr.	1.045	2.007	2.954	257.1	10	2.659	3.330	2234	2.377	60.82	188.7	1.448
S Fr.	0.393	0.755	1.111	96.66	3.760	1	1.252	840.1	0.894	22.87	70.96	0.545
N Fl.	0.314	0.603	0.887	77.19	3.003	0.799	1	670.9	0.714	18.26	56.67	0.435
Lira	0.468	0.899	1.322	115.1	4.476	1.190	1.491	1000.	1.064	27.22	84.47	0.648
C$	0.440	0.844	1.243	108.1	4.207	1.119	1.401	939.8	1	25.58	79.38	0.609
B Fr.	1.718	3.301	4.857	422.7	16.44	4.373	5.476	3674	3.909	100	310.3	2.381
Pta	0.554	1.064	1.565	136.2	5.299	1.409	1.765	1184	1.260	32.23	100.	0.767
Ecu	0.722	1.386	2.040	177.5	6.905	1.836	2.299	1543	1.641	41.99	130.3	1

Yen per 1,000; French Fr per 10; Lira per 1,000; Belgian Fr per 100; Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev
Sep	2317.5	2335.0	2301.0	2329.5
Dec	2361.0	2370.0	2346.0	2373.0
Mar	2396.5			2408.5

Estimated volume 14242 (8439)
Previous day's open int. 48016 (47500)

* Contracts traded on APT. Closing prices shown.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
103	-	-	3.74	0.02	0.47	0.58
104	-	2.54	-	0.06	0.71	-
105	0.80	-	2.38	0.21	1.00	-
106	0.28	1.35	1.83	0.68	1.40	-
107	0.06	0.90	1.37	1.46	1.98	-
Open Int.	154,507	261,933	17,800	119,495	93,054	9,225

Estimated volume 63,084 † Total Open Interest 655,814
† All Yield & Open Interest figures are for the previous day

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth	3-mth	6-mth	12-mth
1.9215	1.9104	1.8892	1.8578	1.8048

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptrs.	10.5	Roxburghe Bank Ltd	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Intervention softens

CONCERTED intervention by the world's central banks in support of the dollar triggered a recovery in both the sterling cash and futures markets yesterday after a rather bearish start to trading.

Sterling futures contracts had dipped in early trading, after the pound opened about 20 points lower against the D-Mark on the foreign exchanges. Shortly before the central bank's intervened at lunchtime in London, the September sterling contract was off by about 4 basis points from its opening level, at 89.65, and the December contract was off 6 basis points, at 89.73.

Intervention then boosted both the dollar and sterling, with the pound peaking at DM2.8304, nearly ½ a pfennig up from its opening level. Futures followed the currency upwards, with the September contract closing up 2 basis points on the day at 89.71. The December contract closed down unchanged on the day at 89.79. Both closing prices continue to reflect the market's belief that a base rate cut is a far off prospect.

Rates in the sterling cash market firmed upwards in the morning even though the Bank of England forecast a small shortage of £550m. The market often finds the smaller shortages harder to remove, because the Bank invites no offers of bills in the early round and each discount house waits for the next one to take the shortage out. This was the pattern of yesterday's trading, and the overnight rate firmed up to 10¼ per cent by lunchtime.

Following the central bank intervention, short-dated rates softened again. One week money again closed below the base rate figure at 9¾ per cent from a previous close of 9⅞ per cent on the offered side. Three month money closed 1/16 per cent down on the offered side at 10¼ per cent. Rates were also softer at the long end, with 1 year money ending down ⅛ per cent at 10⅜ per cent on the offered side.

In its money market operations, the Bank of England again dealt at 9⅞ per cent in Bands 1 and 2 and 9 15/16 per cent in the repurchase agreement (repo). In the morning, the Bank only bought £6m in Band 1 and £6m in Band 2. The forecast was revised to £600m, and in the afternoon the Bank bought £67m in Band 1 and £10m in Band 2. There was late assistance of £325m.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.11) 3 months US dollars		6 months US Dollars	
bid 3⅜	offer 3 7/16	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — *Treasury Bills and Bonds*

Lunchtime					
Prime rate	6	One month	3.05	Three year	4.56
Broker loan rate	5¼	Two month	3.14	Five year	5.48
Fed.funds	3¼	Three month	3.20	Seven year	5.97
Fed funds at intervention	-	Six month	3.31	10-year	6.48
		One year	3.43	30-year	7.33
		Two year	4.12		

Aug.11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.70-9.80	9.70-9.80	9.75-9.85	9.75-9.85	9.75
Paris	9¾-9⅞	9 15/16-10⅛	10⅛-10⅛	10⅛-10¼	10⅛-10⅛	9.60
Zurich	7¼-7⅝	7⅞-8¼	-	8⅛-8⅜	-	-
Amsterdam	9.68-9.75	9.58-9.66	-	9.58-9.66	-	-
Tokyo	4⅛-4⅛	4⅛-4¼	-	-	-	-
Milan	14⅜-14⅞	15-15⅛	-	14⅝-15⅛	-	-
Brussels	9⅝-9¾	9⅞-9⅞	-	9⅝-9¾	-	-
Dublin	10⅛-10⅜	10½-10⅝	10½-10⅝	10½-10⅝	10½-10⅝	-

LONDON MONEY RATES

Aug 11	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	9⅞	10 1/16	10¼	10⅜	10⅜
Interbank Bid	9⅝	9⅝	9 15/16	10⅛	10¼	10¼
Sterling CDs	-	-	10⅛	10¼	10⅜	10⅜
Local Authority Deps.	9⅞	9⅞	10 1/16	10¼	10⅜	10 7/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9⅛	9⅛	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10	10⅛	10¼	10⅜
Treasury Bills (Buy)	-	-	9⅝	9 11/16	9⅝	-
Bank Bills (Buy)	-	-	9¾	9 13/16	9 13/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.25	3.25	3.31	3.45
SDR Linked Dep. Offer	-	-	6⅛	6⅛	6¼	6⅜
SDR Linked Dep. Bid	-	-	5 15/16	6⅛	6⅛	6⅛
ECU Linked Dep. Offer	-	-	10⅜	10⅜	10 11/16	10¾
ECU Linked Dep. Bid	-	-	10¼	10¼	10 11/16	10⅝

Treasury Bills (sell): one-month 9⅝ per cent, three months 9 9/16 per cent; six months 9½ per cent; Bank Bills (sell): one-month 9 11/16 per cent, three months 9 11/16 per cent; Treasury Bills: Average tender rate of discount 9.6202 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1992. Agreed rates for period August 26, 1992 to September 22, 1992, Scheme I 11.27 p.c., Schemes II & III 11.46 p.c. Reference rate for period July 1, 1992 to July 31, 1992 Scheme IV&V, 10.188 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from August 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent, three-six months 9 per cent, six-nine months 8½ per cent, nine-twelve months 8½ per cent, Under £100 000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,923 Set by QUARK

ACROSS
1 Very pleased where the farmyard animal went? (4,3,4)
7 Cricket club (3)
9 Bird to feel remorse without leader (5)
10 Take mathematical action to achieve harmony (9)
11 Skin exactor, ie for a change (9)
12 Strained - indicating time of action (5)
13 When many go to pot (7)
15 Girl cut fruit (4)
18 The class needing to be filled in? (4)
20 Incline is definite in edges of drive (7)
23 Back universal follower of religion (5)
24 A game of course (9)
26 Being involved with thanks in leaving the car? (9)
27 Spinner going both ways (5)
28 No horse's sound, we hear (3)
29 One on the board among English "unknowns" not in the book (2-9)

DOWN
1 Dish after the break (8)
2 Court are arranging for market administrator to appear (8)
3 "Cooking trout" (a student guide) (5)
4 Ruler's jurisdiction to leave native country lacks gravity (7)
5 How stroke can be played when improving? (2,3,2)
6 Darkness is disagreeable for some birds (9)
7 Clever book is not dry (6)
8 The hollow tree starting to wobble (6)
14 Instil with opinions and unite coal works (9)
16 The small farmer is rarely crestfallen (8)
17 Steer out to replace one in tricky wind (8)
19 Fill the position with friendly people (7)
20 Wealthy lady to place bet at the function? (7)
21 Composer's particular feature about work (6)
22 Incoming post holder (2-4)
25 Part of a landau richly covered in gold? (5)

Solution to Puzzle No.7,922

WORLD STOCK MARKETS

CANADA

TORONTO

3:15 pm prices August 11

MONTREAL

3:15 pm prices August 11

Total Sales 11,808,200 shares

INDICES

NEW YORK

DOW JONES	Aug 10	Aug 7	Aug 6	Aug 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3337.58	3332.18	3340.56	3365.14	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.28	102.14	102.06	101.98	102.28 (10/8)	98.41 (20/3)	102.28 (10/8/92)	54.99 (1/10/81)
Transport	1273.19	1277.40	1284.11	1291.20	1467.68 (20/2)	1269.74 (23/7)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.46	221.08	221.08	222.52	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3350.28 (3378.38) Low 3305.16 (3318.40)

STANDARD AND POOR'S

	Aug 10	Aug 7	Aug 6	Aug 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	419.42	418.88	420.59	422.19	425.09 (3/8)	394.50 (8/4)	425.09 (3/8/92)	4.40 (1/6/32)
Industrials	492.81	491.63	494.05	496.12	499.51 (3/8)	470.91 (8/4)	499.51 (3/8/92)	3.62 (21/6/32)
Financial	36.16	36.36	36.35	36.42	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	230.86	230.79	231.50	232.29	233.66 (3/8)	217.92 (8/4)	233.66 (3/8/92)	4.46 (25/4/42)
Amex Mkt. Value	388.41	390.13	389.77	389.90	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	573.14	573.74	574.05	576.87	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Aug 7	Jul 31	Jul 24	year ago (approx.)
Dow Industrial Div. Yield	3.12	3.07	3.17	3.08

	Aug 5	Jul 29	Jul 22	year ago (approx.)
S & P Industrial div. yield	2.59	2.59	2.68	2.68
S & P Indl. P/E ratio	29.34	29.31	28.50	19.62

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Navistar	2,928,800	2⅛	-⅛
Storage Tech	2,589,000	27¼	-6⅛
Hewlett Pack	2,037,700	60½	+1⅝
Gen Motors	1,932,400	37⅞	+⅞
Boeing	1,922,100	39¼	-¼
Citicorp	1,908,300	18⅞	-¼
IBM	1,663,100	88½	+1⅛
Wellcome	1,603,400	15⅛	-⅛
Equity Co	1,590,100	9	-¼
Brit Pete	1,571,400	45	+1¼

TRADING ACTIVITY

† Volume Millions	Aug 10	Aug 7	Aug 6
New York SE	142.440	188.340	181.390
Amex	8.303	8.612	8.584
NASDAQ	120.453	149.675	156.829
NYSE			
Issues Traded	2,332	2,295	2,322
Rises	801	772	706
Falls	933	915	977
Unchanged	598	608	639
New Highs	65	81	72
New Lows	38	24	21

CANADA

TORONTO	Aug 10	Aug 7	Aug 6	Aug 5	1992 HIGH	1992 LOW
Metals & Minerals	3009.25	3021.60	3029.48	3031.48	3238.87 (16/1)	2828.26 (8/4)
Composite	3408.80	3406.30	3398.63	3406.19	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1785.05	1784.78	1778.62	1784.28	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Aug 11	Aug 10	Aug 7	Aug 6	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1587.6	1592.3	1586.7	1588.6	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	697.0	700.4	696.2	695.8	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	291.70	299.08	305.97	313.71	458.57 (24/2)	291.70 (11/8)
Traded Index (2/1/91)	683.45	699.73	719.28	744.21	1099.43 (24/2)	683.45 (11/8)
BELGIUM						
BEL20 (1/1/91)	1114.76	1125.42	1133.28	1142.19	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	299.32	302.39	305.40	305.08	365.29 (15/1)	299.32 (11/8)
FINLAND						
HEX General (28/12/90)	668.9	675.3	682.5	688.5	935.90 (24/2)	668.90 (11/8)
FRANCE						
CAC General (31/12/82)	479.41	482.98	486.96	488.68	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1737.80	1755.22	1777.27	1793.84	2077.99 (11/5)	1727.49 (22/7)
GERMANY						
FAZ Aktien (31/12/58)	614.07	628.09	635.66	638.85	725.26 (26/5)	614.07 (11/8)
Commerzbank (1/12/53)	1735.40	1775.70	1798.6	1807.5	2043.80 (25/5)	1735.40 (11/8)
DAX (30/12/87)	1564.60	1582.55	1609.5	1621.15	1811.57 (25/5)	1564.60 (11/8)
HONG KONG						
Hang Seng Bank (31/7/64)	5886.75	5867.94	5850.93	5829.83	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1236.34	1240.74	1258.25	1265.17	1469.57 (17/1)	1236.34 (11/8)
ITALY						
Banca Com. Ital. (1972)	401.49	406.76	416.89	421.37	551.59 (6/2)	397.73 (30/7)
MIB General (2/1/92)	789.0	799.0	821.0	829.0	1086.00 (5/2)	779.00 (30/7)
JAPAN						
Nikkei (16/5/49)	14822.56	15066.34	15518.27	15926.44	23801.18 (6/1)	14822.56 (11/8)
Tokyo SE (Topix) (4/1/68)	1126.80	1148.56	1181.23	1207.32	1763.43 (6/1)	1126.80 (11/8)
2nd Section (4/1/68)	1588.49	1612.76	1649.25	1672.37	2459.85 (6/1)	1588.49 (11/8)
MALAYSIA						
KLSE Composite (4/4/86)	597.80	595.16	597.11	598.27	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tr Rtn Gen (End 1983)	285.3	285.4	288.4	290.7	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	194.9	195.0	197.0	198.6	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	618.99	622.57	637.48	643.27	772.74 (18/5)	618.99 (11/8)
PHILIPPINES						
Manila Comp (2/1/85)	1445.67	1445.65	1462.76	1463.80	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	375.51	(c)	381.51	381.42	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	994.04	1004.0	1003.0	998.0	1327.00 (21/1)	994.00 (11/8)
JSE Industrial (28/9/78)	4158.04	4167.0	4191.0	4198.0	4689.00 (4/6)	4103.00 (27/7)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	502.45	507.88	495.22	500.04	691.48 (8/2)	493.33 (5/8)
SPAIN						
Madrid SE (30/12/85)	209.57	213.86	215.71	217.45	266.51 (28/2)	209.57 (11/8)
SWEDEN						
Affarsvarlden Gen (1/2/37)	827.8	834.4	850.9	859.4	1014.50 (11/5)	827.80 (11/8)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	840.6	838.5	842.9	847.8	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	631.2	631.5	634.8	638.3	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	3958.28	3951.73	4082.90	4122.78	5391.63 (30/1)	3947.32 (29/7)
THAILAND						
Bangok SET (30/4/75)	754.84	755.45	764.43	767.48	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	480.6*	484.2	488.8	492.0	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	827.34	835.00	847.11	857.50	976.55 (25/5)	827.34 (11/8)

** Saturday August 8: Taiwan Weighted Price 4030.79, Korea Comp Ex 494.35.
‡ Subject to official recalculation. Calculated at 15.00 GMT
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Tuesday 11 August 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Okamoto Inds	4.3m	825	-42	Nippon Steel	1.7m	252	-9
Meiji Milk	3.1m	729	-31	Toshiba Corp	1.4m	581	-10
Mochida Pharm	3.0m	2,260	-240	Clarion	1.4m	357	-38
Mitsubishi Hvy	2.0m	486	-10	NKK	1.4m	212	-13
Hitachi	1.7m	732	-8	Taiyo Fishery	1.3m	337	-22

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

3:00 pm prices August 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp x	0.48	3.8	20	1157	12⅞	12⅝	12⅝	-⅛
26	18	A L Labs A	0.18	0.9	71	60	20⅛	20	20	+⅛
68¼	52⅞	AMP Inc x	1.52	2.8	21	395	55	54⅝	55	+¼
80¼	60¼	AMR				225000	61⅛	d60	60⅛	-⅞
2⅜	1⅛	ARX			2	87	1⅝	1⅝	1⅝	
53½	38¼	ASA	2.00	5.2	25	661	38⅞	38⅝	38⅝	-1
34¼	26⅛	Abbott Lab	0.60	1.9	22	5055	31½	30⅞	30⅞	-¼
13⅞	12	Abitibi Pr	0.50	3.7	7	2	13¼	13¼	13⅜	
11⅝	10⅛	ACM Gvt In	1.08	9.7		168	11⅛	11⅛	11⅛	-⅛
10⅜	9⅛	ACM GvOpp x	0.92	9.4		32	9⅞	9¾	9¾	-⅛
9½	8½	ACM Gvt Sp x	0.82	8.7		143	9⅜	9¼	9⅜	
11¼	10⅛	ACM Gvt Se	0.96	8.7		257	11	10⅞	11	+⅛
10¼	8⅝	ACM Man x	0.98	9.7		286	u10¼	10⅛	10⅛	
12⅞	10⅝	ACM Managd x	0.99	8.9		87	11⅛	11	11⅛	+⅛
11¼	4⅛	Acme Cleve x	0.40	5.7	13	125	7⅛	7	7	-⅛
8¼	4⅜	Acme Elect			4	2	4⅞	4⅞	4⅞	
33¼	16⅛	Acuson			12	237	18½	18⅜	18½	+⅛
19½	15⅛	Adams Expr x	1.63	8.8	0	62	19	18⅞	18⅞	+1⅜
49⅛	29½	Ad Micro	3.00	8.5		132	36½	34⅞	35½	+⅝
21½	7½	Ad Micro P	3.00	32.9		31800	9⅛	9⅛	9⅛	
9⅛	5	Advest Grp	0.16	3.0	76	148	5⅜	5⅜	5⅜	-⅛
37⅛	33	Aegon AGR	1.68	4.5	7	113	37⅛	37	37⅛	+⅛
47	38⅛	Aetna Ll	2.76	6.5	10	768	42⅝	42⅛	42½	-⅛
12⅛	8⅜	AffR A x	0.24	2.0	14	1324	11⅞	11¼	11⅜	-⅛
34	24	Aflac x	0.44	1.3	16	731	33	32⅛	32⅞	
19⅜	15⅛	Ahmanson x	0.88	5.2	7	437	17	16¼	16⅞	-⅛
22½	5⅜	Aileen Inc			5	321	5⅞	d5⅜	5⅛	-⅛
49½	36½	Air Pr Chm	0.88	2.1	17	1389	41⅞	40⅞	41⅞	-⅛
29¼	12½	Airbne Frt	0.30	2.3	25	4397	13⅛	d12½	12⅞	-⅛
34¼	22⅜	Airgas Inc			25	90	30⅞	30⅛	30⅜	
12⅜	8⅛	Airlease	1.66	14.9	8	4	11⅛	11⅛	11⅛	+⅛
104	99½	AlaPw8.16	8.16	7.9		z100	u104	104	103	-1
106½	101½	Alab Pw 9P	9.00	8.6		2	103½	103½	104½	+1
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
53½	60½	Xerox4.125				5	53⅛	52⅞	53⅛	
31½	24⅞	Xtra 1 94 x	1.94	6.4		207	30½	30⅜	30⅛	+1⅛
42¼	28½	Xtra Corp x	0.80	2.0	12	483	40⅞	40¼	40⅜	+0.80
29½	25¼	Yankee Egy	1.68	5.7	13	23	29¼	28⅞	28⅞	−⅛
1½	½	Zapata				25 151	1	1	1	
11⅛	6¾	ZenithElec				4 803	7	d6¾	6⅞	−⅛
19½	14½	Zenith Nat	1.00	5.6	6	23	18⅛	18	18	
7⅜	6	Zenix Inc	0.82	11.5		138	7¼	7⅛	7⅛	−⅛
13¾	10	Zero Corp x	0.40	3.3	19	121	12⅝	12⅛	12⅛	
38	27¾	Zurn Ind	0.88	3.0	32	1000	29¾	29⅜	29¾	
14⅛	12	Zweig Fund	1.15	8.8		330	13	12⅞	13	
11	9½	Zweig Tot x	0.96	9.0		776	10⅝	10½	10⅝	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices August 11

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Acton Cor		0	5	6⅛	6⅛	6⅛	−¼
Air Expr x	0.14	15	583	21⅛	19½	21⅛	+1 77
Alfin Inc		2	10	1¼	1¼	1⅛	
Alpha Ind		282	40	2⅜	2⅜	2⅜	−⅛
Am Isr Pa	0.50	14	28	52½	51⅞	52½	+⅜
AmMaze A	0.64	11	20	24⅛	24	24⅛	
Am Shrd	0.80	4	20	5⅜	d5⅛	5¼	
Amdahl Cp	0.10	191	423	13¾	d13⅜	13⅜	−⅛
Am Expl		4	848	2⅛	2⅛	2⅛	−¼
Ampal-AmA		21	54	5⅜	5⅝	5⅝	
Astrotech		14	28	6⅞	5¾	5⅞	
Atari		6	7	1½	1½	1½	−⅛
AtlasCM B		1	58				
Audiovx A		2	75	3½	3½	3½	
B&H Ocean	0.65	5	329	3⅝	3⅜	3⅜	+¼
BaldwnT A	0.04	30	37	4	3⅞	4	+⅛
Barry RG		43	50	6⅛	6⅛	6⅛	
BAT Ind	0.83	26	4	13	13	13	
Beard Oil		0	37	⅞	¾	¾	−⅛
Bergen Br A	0.40	13	282	19	18⅝	18⅝	−⅜
Binks Man	1.00	88	22	24½	24⅛	24½	
Bio-Rad A		10	113	19⅞	19¾	19¾	−¼
Bow Valley		3	2	9	9	9	
Bowmar		10	114	1⅞	1¾	1¾	
Bowne	0.25	11	258	16⅞	16¾	16¾	−¼
Brascan A	0.86	25	2	15	15	15	
BSN Corp	0.18	10	12	5⅞	5¾	5¾	
Cal Engy		14	622	12⅛	12	12⅛	+⅛
Calprop		0	7	1½	1½	1½	+¼
Can Marc	0.24	9	20	13½	13⅜	13⅜	
Cmbrx A		10	373	8⅝	8½	8½	−⅛
Chambers		11	6	8⅞	8⅝	8⅝	
Champion		37	13	3⅞	3¾	3¾	−⅛
Chiles		0	79	⅞	¾	¾	
Cnbl FdA	0.01		147	4	4	4	−⅛
Cominco	0.44	55	13	19¼	19¼	19¼	
Computrac		9	3	1⅛	1⅛	1⅛	
Concd FdA		28	6	4⅝	4⅝	4⅝	
CrossMf A x	1.28	19	76	23⅛	22⅝	23⅛	+¼
Crown C A	0.40	14	10	18⅝	18⅝	18⅛	
Crown C B	0.40	14	7	17⅛	17⅛	17⅛	
Cubic	0.53	11	13	17⅞	17⅝	17⅞	+¼
Customedix		9	2	1⅞	1⅞	1⅞	
Dl Inds		12	15	1	1	1	
Ducommun		7	6	4½	4½	4½	
Duplex	0.48	25	16	11½	11½	11½	−⅛
DWG Corp		32	286	9½	9	9⅜	+⅛
Eastn Co	0.48	8	87	10⅝	10⅝	10⅝	−⅛
Eastgroup	1.64	6	7	13	12⅞	12⅞	
Echo Bay	0.07	159	875	6⅜	6¼	6⅜	−⅛
Ecol En A	0.22	11	6	14¼	14¼	14¼	
Edisto		0	642				
Engy Serv		3	33	1⅛	1⅛	1⅛	
Frequency		56	2	4½	4½	4½	
Fr ofLoom		19	1957	u39¼	38⅝	38⅞	−⅛
Gmt FdA x	0.68	15	95	20⅛	19¾	20	
Glatfltr	1.40	15	68	23⅞	23½	23¾	−⅛
Goldfield		2	115				
Greenman		6	26	5⅛	5	5⅛	
Gulf Cda	0.34	8	144	4½	4¼	4½	+⅛
Hasbro x	0.20	19	349	30¾	30⅜	30½	−⅛
Health Ch		9	54	1⅞	1⅞	1⅞	
Healthvst		187	34	1⅞	1⅞	1⅞	
Heico Cp	0.15	17	16	12⅞	12¾	12¾	+⅛
Hilhaven		2	56	2¼	2¼	2¼	
Horn&Hdt		0	24	1½	d1½	1½	−⅛
Hovnanian		71	69	12¼	12⅛	12⅛	
ICH Corp		4	53	3⅜	3⅜	3⅜	+⅛
InstSysPf	0.24		3	5⅛	5⅛	5⅝	+⅛
Int Mobile		16	152	6¼	6⅛	6¼	
Intermark		0	48				
IntTelchg		0	108				
Jan Bell		37	198	15⅞	15½	15½	−¼
Kinark Cp		5	9	6	6	6	
Kirby Exp		20	713	13	12⅞	13	+⅛
KLH Comp			162				
Labarge		23	27	1⅞	1⅞	1⅞	
Laser Ind		37	408	4	3⅜	3¾	
Lee Pharm		1	41	1⅜	1¼	1¼	
Lionel Cp		0	34				
Lumex Inc		12	82	11	10⅝	11	
Lynch Cp		15	19	19⅞	19⅜	19⅜	−⅝
MagnaCopB		7	z0	0	d0	5¾	
Mater'lSc		12	399	14¾	14⅛	14⅝	+⅛
Maxxam		74	25	28⅜	d27¾	27¾	−⅛
Media A	0.44	8	28	19¼	19	19	−⅛
Moog A		22	62	5⅞	5⅞	5⅞	+⅛
MSR Expl		2	4				
Nat Patnt		2	882	3⅛	3	3	−⅛
New Line		16	159	11⅞	11¾	11⅞	−⅛
NY TimesA	0.56	34	486	29⅛	28⅞	29	
NthCanOil	0.18	104	24	u12⅝	12½	12½	+⅛
Numac O&G		2	5	4⅛	4⅛	4⅛	
NV Ryan		0	75				
Odetics A		282	50	6¼	d5¼	5¼	−⅛
Oilgear	0.24	28	48	31	30⅞	31	
OM Corp	0.14	7	z0	0	d0	6⅜	
Pall Corp	0.35	26	280	27½	27⅛	27⅛	
Pegasus G	0.10	35	469	15⅞	15⅝	15⅞	−⅛
Perini	0.80	21	9	11⅝	d11⅜	11⅜	+⅛
Pet HtgP	1.14	17	7	16	15⅞	15⅞	
Phil LD	0.21	16	515	38½	37¼	38½	+⅜
Pitway A	1.10	18	112	29⅞	29⅝	29⅝	−½
Ply Gem x	0.12	22	2	10⅜	10⅜	10⅜	−⅛
PMC	0.66	14	17	10⅛	10	10	
PresidioA	0.10	1	7	1⅞	1⅞	1⅞	
Price Com		0	30				
RB&W Cp		2	62	4⅜	4¼	4⅜	
RodelEnv		4	34	5⅝	5½	5⅜	+¼
SJW Corp	1.98	7	6	35⅛	35	35⅛	+⅛
StnUnion		23	4	14¾	14½	14½	−¼
Sterl El		12	2	4⅛	4⅛	4⅛	−⅛
TII Ind		2	32	1⅜	1⅜	1⅜	
Tab Prods	0.40	39	47	10¼	10⅛	10¼	−⅛
Tel&Data	0.32	45	84	34¾	34½	34½	−⅛
Thermedcs		118	3	7⅛	7⅛	7⅛	
Thermoins		24	183	25⅜	25¼	25¼	−⅛
Total Pet	0.40	18	14	7⅛	7⅛	7⅛	
TownCntry		0	243	2	1⅞	1⅞	−⅛
Tubos Mex		21	47	5¾	5⅝	5⅝	
UtdFoodsB		5	z100	1⅜	1⅜	1⅜	+⅛
UnivPtnts		34	15	10½	10⅛	10⅛	
US Cellul		92	116	20	19¾	19½	−⅝
Vivigen		50	5	14	13¾	13¾	
WangLab C		0	8	3½	3½	3½	
WangLab B		1	847	2⅜	2¼	2¼	−⅛
Westbrld		16	426	5¾	5¾	5¾	
Westamer	0.52	9	165	19⅞	19⅝	19⅝	−⅛
WIRET	1.12	15	113	12⅞	12⅝	12⅞	−¼
Worthen x	0.05	9	47	22¼	22	22¼	+¼
Xytronix		9	5	9	9	9	

NASDAQ NATIONAL MARKET

3:00 pm prices August 11

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xoma Corp		7	1676	13¼	12⅞	12⅞	−⅛
Yellow F x	0.94	20	330	25	24½	24½	
York Rsch		4	764	5	4⅜	4⅜	
ZionsUtah	1.44	10	2	57½	56	56¼	

هكذا من الأصل

FINANCIAL TIMES Wednesday August 12 1992

AMERICA

Dow pulled down by several sell programs

Wall Street

AMID confusing cross-currents from overseas stock and currency markets, US share prices eased across the board yesterday morning under the weight of several computer sell programs, *writes Patrick Harverson in New York.*

By 12.30 pm the Dow Jones Industrial Average was down 13.23 at 3,324.35. The more broadly based Standard & Poor's 500 was also lower at midsession, down 2.07 at 417.35, and the Nasdaq composite was 4.27 lower at 604.19. Turnover on the NYSE was 89m shares by 12.30 pm.

Once again declines in foreign markets overnight set the tone for a downbeat opening to New York trading. The vulnerability of the dollar, which needed fresh support from world central banks yesterday, also troubled US investors, although another fall in long-term bond yields, which now stand at their lowest levels for five years, provided some support for sentiment.

Against such a confusing background, computer program trades provided the market with its direction. After one buy program had helped prices in early trading, a series of sell programs sent the Dow tumbling almost 20 points in mid-morning. The light volume exaggerated the effect of these programs on the major equity indices.

Among individual stocks, Philip Morris fell $1 to $79¾ in active trading after the broking house, Kidder Peabody, lowered its investment rating from "buy" to a "hold" citing the stock's recent gains.

The most actively traded sector was car stocks. General Motors slipped $¼ to $37⅞ in turnover of 1.2m shares, Ford firmed $⅜ at $41⅜ and Chrysler edged $¼ higher to $21⅞.

After a delayed opening due to an order imbalance on the sell side, US Surgical plunged $7 to $73 in turnover of 2.5m shares following a downgrade from the broking house, Shearson Lehman Brothers.

Various retailers released a mixed bag of second quarter results which produced a contrarian response from investors. The Limited rose $¼ to $20¼, in spite of flat earnings, while JC Penney, which has risen steadily all year, fell $1¾ to $70⅝ after reporting a big rise in net income to $80m, and Wal-Mart eased $⅛ to $57⅛ on news of a 21.5 per cent improvement in earnings to $420m.

On the Nasdaq market, some technology and communications stocks were hit by brokers' downgrades, among them LM Ericsson, down $1 at $20⅞, and America Online, $1¼ lower at $13¼.

Canada

TORONTO managed a slight rise by midsession although trading remained dull.

The TSE 300 composite index was up 2.2 at 3,411.0 in volume of 5.9m shares.

Declines led advances by 130 to 104 with transactions valued at C$82.7m.

Pakistani shares lose the lustre of 1991

Farhan Bokhari profiles the bottom performer among emerging markets last month

UP WITH the Latin American leaders last year, Pakistan hit trouble in July and slipped 15.8 per cent in dollar terms, the worst decline in the emerging markets list from the IFC, part of the World Bank.

There has been a recovery this week and last but the Karachi Stock Exchange (KSE) index is still 181.75 below the 1,520.90 registered on July 1, when the new financial year began, and 375.42, or 22 per cent below its 1992 high of 1,714.57 on January 7.

Political uncertainty loomed recently after a split within Prime Minister Nawaz Sharif's ruling alliance, the IDA (Islamic Democratic Alliance). A Karachi-based regional ethnic party, the MQM (Mohajir Qaumi Movement) broke ranks with Mr Sharif, after an army-backed crackdown against its members, allegedly for running torture cells to victimise opponents.

That immediately raised fears of economic and commercial repercussions. Karachi, the country's most important port and centre of banking and corporate activity, is largely controlled by the MQM. A rift with the ruling alliance has raised the possibility of MQM-backed street agitation or other forms of disturbances which would disrupt life in the city.

"For now, the presence of army troops in the city has helped to restore some confidence, but that may last only until the army is called back to its barracks," says one leading businessman.

However, there are other reasons for the fall in equities this year. Last December, an Islamic court handed down a ruling which required all banks to eliminate pre-determined interest or usury, known as "Riba", by the end of June this year, because the practice is considered unlawful under Islamic codes. The government has now appealed the ruling to Pakistan's supreme court.

During the first six months of this year, sentiment was dulled by concerns that the judgment, if enforced, would have implications for the country's financial sector. Now, many investors are watching to see the outcome of the supreme court's decision.

In addition, many investors are nervous over the worldwide decline in the cotton price. This means a lower profitability in the textile sector, and approximately one-third of KSE's 606 listed companies are textiles related.

Despite recent trends, the KSE's President, Mr Arif Habib, continues to be optimistic, pointing to a rise in market turnover from last year's average of some 2.4m shares a day to 2.8m this year, and continued corporate interest in floating new shares on to the market. Since January last year, he says, 150 new companies have been registered on the KSE.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Dollar terms: Jul 31 1992	Dollar terms: % Change over month	Dollar terms: % Change on Dec '91	Local currency terms: Jul 31 1992	Local currency terms: % Change over month	Local currency terms: % Change on Dec '91
Latin America							
Argentina	(29)	1,159.63	-11.6	-9.7	63,881,834	-11.3	-10.1
Brazil	(69)	112.52	+6.0	+7.3	144,747,303	+29.3	+313.6
Chile	(35)	2,022.59	-1.4	+31.2	5,688.71	+3.1	+27.4
Colombia	(20)	1,137.95	+15.1	+48.6	8,059.80	+16.4	+61.5
Mexico	(66)	1,509.27	-0.7	+4.1	24,310.61	-1.0	+5.0
Venezuela	(17)	528.88	-0.2	-21.8	4,674.63	+1.4	-14.7
East Asia							
South Korea	(91)	204.14	-6.6	-28.6	194.54	-6.8	-25.6
Philippines	(30)	1,979.19	-5.6	+37.7	2,448.95	-7.0	+28.7
Taiwan, China	(70)	543.93	-10.6	-13.7	340.18	-9.4	-16.4
South Asia							
India	(62)	336.34	-9.8	+22.2	758.16	-11.1	+32.9
Indonesia*	(63)	69.26	-0.9	+24.2	78.22	-0.9	+27.1
Malaysia	(62)	169.06	+1.2	+17.7	174.32	+1.1	+8.2
Pakistan	(58)	252.79	-15.8	-20.8	411.29	-15.8	-19.5
Thailand	(51)	335.28	-3.6	+5.7	313.08	-3.4	+7.0
Euro/Mid East							
Greece	(32)	385.23	-4.7	-6.9	543.78	-6.9	-3.7
Jordan	(27)	98.73	-3.6	+2.7	171.42	-4.0	-0.1
Portugal†	(30)	435.23	+1.3	+1.3	351.16	-0.2	-5.0
Turkey‡	(25)	45.98	-11.2	-45.9	421.93	-9.2	-25.2

*Source: International Finance Corporation. Base date: Dec 1984 = 100. *Dec 1989 = 100. †Jan 1986 = 100. ‡Dec 1986 = 100.*

South African equities fall as De Beers loses 6 per cent

DE BEERS's warning of a substantial cut in its final dividends saw over R3.2bn wiped off the market capitalisation of the diamond giant and its associated companies, Anglos, Anamint and JCI.

De Beers, which reported its half-year results at midday, dropped R4.50, or 6.2 per cent to R68.50 in active trade after a R2 fall on Monday, while Anglos fell R3 to R109.75 and Anamint, which has an effective 25 per cent share of De Beers linked units, fell R6 or 7.2 per cent to R77. JCI lost R1 to R57.

For the Johannesburg market, this helped outweigh a relatively flat performance in industrials, only 9 lower at 4,158, and the overall index dropped 37 to 3,309. The gold index, depressed by the weak bullion price, was off 10 at 994.

EUROPE

Dollar support credited for intraday recovery

CONCERTED support for the dollar was one reason why bourses recorded an intraday recovery yesterday, but not all dealers were convinced by this argument, *writes Our Markets Staff.*

FRANKFURT closed at new 1992 lows but well above its worst, the DAX index ending 17.95, or 1.1 per cent lower after a drop of 14.02, or 2.2 per cent to 614.07 in the FAZ at midsession.

Turnover rose from DM4.2bn to DM6.1bn. Ms Barbara Altmann at B Metzler in Frankfurt attributed the turnround to a little foreign buying as the DAX approached its support level of 1,550 – its intraday low was 1,551.39 – and some subsequent short covering.

The market gave its worst treatment to retailers and construction groups which, until recently, still seemed to have stories to tell in higher consumption prospects, and the rebuilding of east Germany.

Yesterday Karstadt and Bilfinger & Berger, both high quality stocks, led their sectors down with falls of DM18 to DM579.50, and DM33 to DM837. Both are now approaching their lows for the year.

PARIS fell for the fourth consecutive day as the CAC 40 index gave up 17.42 to 1,737.80 in turnover of some FFr1.38bn. Alcatel Alsthom was the most active stock and fell in line with the market to close down FFr8 at FFr622.

The computer services group, Cap Gemini, was affected by a revision of an analyst's 1992 EPS forecast, falling FFr14.30 or 6.8 per cent to FFr194.00. Moulinex was also hit by a downgrade and closed FFr4 lower at FFr120.

A 5 per cent rise in first half turnover at Lyonnaise des Eaux-Dumez helped it close unchanged at FFr493.30. However, a 20 per cent increase in turnover did not help the insurer, UAP, down FFr11.20 at FFr388.50.

MILAN reported very thin trade as the Comit index fell 5.27 to 401.49. Fiat closed 1.6 per cent lower at L4,310 and fell to L4,225 after hours.

On the screen market, the telecoms company Sip was the most heavily traded stock, and closed unchanged at L1,145. At the other end of the spectrum, Mr Carlo De Benedetti's industrial holding company, Cir, fell L83 to L1,250

ZURICH extended its showing of relative strength, the SMI index posting a rise of 0.3 to 1,800.3. Interest focused on selected chemicals in low overall volume, Roche certificates topping the active list as they rose SFr50 to SFr3,430.

AMSTERDAM was depressed by a batch of gloomy results which dissipated any relief in satisfactory half year figures from Polygram. The music and film group was one of the few stocks to buck the trend, closing up Fl 1.00 at Fl 45.50 while the CBS Tendency index closed down 1.0 at 113.0.

Hoogovens fell 60 cents to Fl 38.30 on disappointing results while KLM lost 50 cents to Fl 30.10 on losses at Northwest Airlines; DAF continued to weaken, down Fl 1.20 at Fl 17.50. Fokker eased Fl 1.10 to Fl 22.60, reporting worse-than-expected interim profits after the close.

BRUSSELS suffered from a further setback in Petrofina which closed down BFr320, or 3.1 per cent at BFr9,930. Some analysts said that the oil group remains depressed after last week's disappointing first half results. The Bel-20 index lost 10.66 to 1,114.76.

MADRID's general index fell 4.29 to 209.57 in low turnover of Pta7bn. Banks were weak with Santander losing Pta110 to Pta3,340.

VIENNA reacted to declines elsewhere on the continent and fell to another all time low. The ATX index closed down 16.28 at 683.45.

ISTANBUL rose on pleasing first half results. The 75-share index advanced 72.73 or 1.85 per cent to 4,012.51.

FT-SE Eurotrack 100 - Aug 11

Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1047.60	1044.60	1040.76	1041.82	1042.94	1046.56	1046.88	1044.92

Day's High 1047 63	Day's Low 1040.76

Aug 10	Aug 7	Aug 6	Aug 5	Aug 4
1049.68	1067.01	1078.71	1081.21	1076.44

Base value 1000 (26/10/90).

ASIA PACIFIC

Tokyo extends slide and closes below 15,000

Tokyo

THE Nikkei average extended its slide to a fourth consecutive day, closing below the 15,000 level for the first time since March 1986, *writes Emiko Terazono in Tokyo.*

The index fell 243.78 to 14,822.56, a four-day loss of 7.3 per cent. It rose to the day's high of 15,172.72 in the morning but hit a low of 14,777.90 just before the close as small-lot selling by individuals and futures-linked trading depressed sentiment.

Volume declined to 190m shares from 201m. Declines led advances by 788 to 96, with 108 unchanged, and a total of 548 issues fell to new lows for the year. The Topix index of all first section stocks lost 21.76 to 1,126.80 while, in London, the ISE/Nikkei 50 index rose 1.68 to 933.46.

Fears over bankruptcies among companies with high exposure to the stock and real estate markets resurfaced and prompted short-selling.

The plunge in share prices, however, raised hopes of further monetary easing, causing a rally on the government bond market. The yield on the No 129 10-year benchmark bond fell 0.036 percentage points to 4.985 per cent, and short-term money market rates also eased on anticipation of lower interest rates.

Comments by government officials that measures to prop up share prices may be brought forward have had little effect on sentiment. Furthermore, proposals to buy land placed as collateral at the banks, or to invest postal savings funds in the stock market have not provided fresh trading incentives.

"The longer the government takes to implement economic measures such as the supplementary budget, the slimmer the effects will be," said Mr Robert Feldman at Salomon Brothers.

Speculators continued to liquidate issues bought on margin. Okamoto Industries, the most active issue of the day, fell Y42 to Y825, and Meiji Milk Products lost Y31 to Y729.

Companies famous for their stock market investments in the late eighties plunged. Hanwa, the steel trader, fell Y142 to Y928 and Hazama, the construction company, fell Y35 to Y290. Nippon Credit Bank, which faces mounting bad property-related loans, declined by its daily limit of Y500 to Y3,600.

Nippon Telegraph and Telephone fell Y2,000 to Y465,000. The share has fallen 19.3 per cent over the past four trading days. In Osaka, the OSE average fell 317.75 to 16,014.06 with 11.4m shares traded.

Roundup

TOKYO's decline again affected sentiment and most of the region's markets were dragged lower.

HONG KONG saw moderate gains, influenced by the futures market trading. The Hang Seng Index advanced 18.81 to 5,886.75 in turnover of HK$1.83bn.

Hutchison Whampoa was the most actively traded share after its share placement on Monday but it closed unchanged at HK$15.50. Cheung Kong rose 20 cents to HK$23.80.

SEOUL fell but reports that the government may announce the award of the country's second telecom contract next week helped bidding companies. Sunkyong and Yukong, which have bid for the contract, both rose Won1,000 to Won21,500 and Won23,500 respectively.

The composite stock index shed 5.43 to 502.45 in turnover of Won102bn.

TAIWAN finished mixed as most investors remained on the sidelines. The weighted index closed up 6.55 at 3,958.28 in low turnover of T$17.6bn.

Cement, food and plastic shares fell slightly but other sectors were up.

MANILA was largely unmoved by the resignation of one of President Fidel Ramos's close aides. The composite index lost 0.02 to 1,445.67 in combined turnover of 205m pesos.

SINGAPORE lost 2.2 per cent as foreign investors sold bank stocks and blue chips. The Straits Times Industrial index closed down 31.68 at 1,392.91 in turnover of S$94.2m.

Development Bank of Singapore foreign shares ended 90 cents lower at S$12.00 with some 401,000 shares traded. Oversea-Chinese Banking foreign shed 90 cents to S$11.80 in volume of 757,000 shares.

KUALA LUMPUR was pulled higher by Telekom which gained 30 cents to M$14.10. The composite index closed 2.64 higher at 597.80.

Resorts World fell 40 cents to M$6.60 after reporting flat half-year earnings.

AUSTRALIA fell as the local currency weakened against the US dollar. The All Ordinaries closed down 4.6 at 1,587.6 in turnover of A$144.4m.

Alcan closed up 1 cent at A$1.72 after reporting a better-than-expected interim loss of A$6.5m.

NEW ZEALAND's NZSE 40 index closed 8.52 lower at 1,514.68.

BOMBAY rose strongly in spite of a bout of late profit-taking. The BSE index closed up 24.44 at 2,693.42.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — MONDAY AUGUST 10 1992 — FRIDAY AUGUST 7 1992 — DOLLAR INDEX

Figures in parentheses show number of lines of stock	Mon: US Dollar Index	Mon: Day's Change %	Mon: Pound Sterling Index	Mon: Yen Index	Mon: DM Index	Mon: Local Currency Index	Mon: Local % chg on day	Mon: Gross Div. Yield	Fri: US Dollar Index	Fri: Pound Sterling Index	Fri: Yen Index	Fri: DM Index	Fri: Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	138.72	+0.3	106.73	112.28	105.80	125.20	+0.5	4.37	138.31	106.28	111.43	105.31	124.61	153.68	138.31	148.62
Austria (19)	142.36	-2.2	109.53	115.23	108.56	108.77	-2.6	2.69	145.56	111.85	117.27	110.83	111.62	186.70	142.36	172.00
Belgium (42)	146.47	-0.8	112.69	118.55	111.71	109.09	0.8	5.64	147.69	113.48	118.97	112.45	109.99	152.27	135.87	130.58
Canada (114)	127.74	-0.3	98.28	103.39	97.42	109.80	+0.1	3.18	128.09	98.42	103.19	97.52	109.68	142.12	124.32	138.18
Denmark (35)	233.59	-1.9	179.72	189.08	178.16	179.58	-1.9	1.95	238.20	183.03	191.90	181.36	183.04	273.94	226.81	255.98
Finland (15)	70.54	-0.8	54.27	57.10	53.80	59.57	-1.0	2.37	71.14	54.66	57.31	54.17	60.19	89.80	69.74	100.43
France (104)	157.35	-1.2	121.07	127.38	120.00	122.55	-0.9	3.67	159.22	122.34	128.26	121.22	123.69	168.75	148.06	132.15
Germany (64)	118.68	-1.5	91.31	96.08	90.51	90.51	1.3	2.53	120.44	92.54	97.04	91.70	91.70	129.69	114.67	108.43
Hong Kong (53)	243.80	+0.0	187.42	197.17	185.80	241.80	+0.0	3.38	243.48	187.09	196.15	185.39	241.73	259.55	176.36	169.23
Ireland (16)	156.49	+0.1	120.40	126.68	119.35	121.65	+0.2	3.34	156.35	120.14	125.96	119.04	121.45	173.71	151.78	153.24
Italy (78)	63.84	-2.8	49.12	51.67	48.69	52.93	2.7	3.92	65.71	50.49	52.94	50.03	54.41	80.86	61.30	74.02
Japan (473)	89.36	-3.2	68.75	72.33	68.16	72.33	2.7	1.18	92.26	70.89	74.33	70.28	74.33	140.95	88.70	127.69
Malaysia (69)	240.72	+0.0	185.20	194.84	183.59	231.77	-0.0	2.71	240.63	184.89	193.85	183.20	231.68	250.47	212.49	211.06
Mexico (18)	1401.21	+0.5	1078.06	1134.17	1068.69	4750.76	+0.5	1.26	1394.51	1071.52	1123.46	1061.77	4728.82	1769.77	1303.41	1100.83
Netherland (25)	160.85	-1.2	123.75	130.19	122.68	121.43	-1.0	4.62	162.76	125.06	131.13	123.93	122.69	167.29	147.88	138.82
New Zealand (14)	44.74	-1.6	34.42	36.22	34.12	43.73	-1.5	5.19	45.46	34.93	36.63	34.62	44.38	48.52	42.01	46.94
Norway (23)	153.98	-3.4	118.47	124.64	117.44	120.96	-3.1	2.09	159.38	122.46	128.40	121.35	124.87	192.95	153.98	201.19
Singapore (38)	200.97	+0.1	154.62	162.67	153.28	149.06	+0.0	2.22	200.79	154.28	161.76	152.87	149.06	229.63	192.76	194.29
South Africa (61)	209.80	-0.8	161.42	169.81	160.01	167.81	0.8	3.03	211.57	162.57	170.45	161.09	169.24	263.60	194.69	244.25
Spain (49)	139.22	-0.9	107.11	112.69	106.18	98.83	-0.9	5.94	140.52	107.97	113.21	106.99	99.69	161.72	136.49	149.61
Sweden (30)	184.91	-2.2	142.26	149.67	141.03	145.90	-2.2	2.82	189.09	145.29	152.34	143.98	149.13	200.28	173.09	188.60
Switzerland (62)	111.84	-0.9	86.05	90.53	85.31	91.32	-0.7	2.35	112.90	86.75	90.96	85.97	91.93	113.88	95.99	93.63
United Kingdom (228)	177.47	-1.2	136.54	143.64	135.34	136.54	-1.1	5.33	179.66	138.05	144.72	136.78	138.05	200.07	165.85	174.28
USA (522)	170.87	+0.1	131.46	138.31	130.33	170.87	+0.1	2.94	170.72	131.17	137.54	129.99	170.72	173.10	160.92	157.52
Europe (790)	145.25	-1.3	111.75	117.57	110.78	111.75	-1.2	4.26	147.19	113.10	118.58	112.07	113.08	156.88	139.31	137.78
Nordic (103)	170.86	-2.2	131.46	138.30	130.32	128.65	2.1	2.48	174.69	134.23	140.74	133.01	131.45	188.52	169.29	187.05
Pacific Basin (715)	96.32	-2.7	74.11	77.96	73.46	78.95	2.3	1.56	98.95	76.03	79.72	75.34	80.78	141.97	94.40	129.30
Euro-Pacific (1505)	116.11	-2.0	88.33	93.97	88.55	92.52	-1.7	2.92	118.46	91.02	95.43	90.19	94.14	145.21	113.80	132.99
North America (636)	168.17	+0.1	129.38	136.13	128.28	166.71	+0.1	2.95	168.04	129.12	135.40	127.97	166.56	170.31	158.70	156.25
Europe Ex. UK (562)	125.41	-1.4	96.49	101.53	95.67	97.29	1.2	3.50	127.18	97.72	102.48	96.86	98.51	132.98	121.81	116.05
Pacific Ex. Japan (242)	165.02	+0.1	126.97	133.59	125.87	147.80	+0.1	3.63	164.90	126.71	132.87	125.57	147.61	175.31	149.00	145.29
World Ex. US (1698)	118.33	-1.9	91.04	95.79	90.25	95.02	1.6	2.92	120.60	92.67	97.17	91.83	96.58	146.91	116.45	134.91
World Ex. UK (1992)	131.13	-1.0	100.89	106.14	100.02	116.27	-0.9	2.62	132.50	101.81	106.75	100.89	117.30	150.58	127.21	138.40
World Ex. So. Af. (2159)	134.67	-1.1	103.61	109.01	102.72	117.67	0.9	2.93	136.10	104.58	109.68	103.64	118.73	153.05	130.04	140.85
World Ex. Japan (1747)	160.45	-0.4	123.45	129.88	122.39	144.55	-0.4	3.44	161.14	123.82	129.83	122.71	145.06	165.40	153.20	150.20
The World Index (2220)	135.13	-1.1	103.97	109.38	103.07	118.13	-0.9	2.93	136.57	104.94	110.03	103.99	119.20	153.70	130.66	141.52

Latest prices were unavailable for this edition. Singapore market closed August 10